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Israel's Dilemma: A War Over Peace

Bitter Feuding Over Mubarak Plan Threatens to Topple Government

By Joel Brinkley

New York Times Service

JERUSALEM — Prime Minister Yitzhak Shamir and the rest of

Israel's right wing are pleading,

threatening and fighting to kill a

peace plan offered by Egypt that

very other interested party has en-

thusiastically embraced.

The battle over what to do about

the Egyptian plan has dragged Israel

into another political crisis that

threatens to topple the govern-

ment.

And unlike the last "coalition

crisis," in July, this one has no

potential easy solutions because it

is a fight over the most fundamen-

tal issues dividing the country. Can

the government hold talks with Pal-

estines openly affiliated with the

Palestine Liberation Organization?

Should Israel give up land in ex-

change for peace?

President Hosni Mubarak of

Egypt is offering to play host for

negotiations between Israel and Pal-

estines in Cairo, a step intended to

ease Israel's plan for elections in

the occupied territories. The Labor

Party, the PLO and the U.S. gov-

ernment, among others, have en-

dorsed the idea.

But in a speech on Tuesday, Mr.

Shamir complained: "Who will

come to Cairo? The leaders of the

intifada will come. We will be sit-

ting together, it would not be for ne-

gotiations but surrender talks."

The statements open these glar-

ing questions: Who, exactly, does

Mr. Shamir believe is left for ne-

gotiations if Palestinians involved

in the uprising are not acceptable

partners? Is the prime minister

really serious about the plan for

Palestinian elections he first of-

fered six months ago?

The U.S. secretary of state,

James A. Baker 3d, is planning to

meet on Thursday with Mr. Sha-

mir's Likud colleague, Foreign

Minister Moshe Arens, and the

Egyptian foreign minister, Esmat

Abdel Meguid, to see if they can

resolve some of those questions.

The proposed Cairo conference

is the centerpiece of Mr. Mubarak's

10-point proposal for Palestinian

elections, a plan that has revived

the governing coalition that had

coexisted with relative equanimity

since December.

Now Labor and Likud are

locked in a rolling daily battle of

accusation and countercharge,

both sides saying they will bring the

government down unless they get

their way. Third-party ministers

have also waded into the fray.

As the Israeli government heads

toward an open confrontation over

the basic issues separating the two

major parties, it now appears that

there are two likely resolutions: Ei-

ther Labor and Likud will not be

able to agree, and the government

will collapse, leading to new elec-

tions; or the two parties will reach

a compromise by watering down the

Egyptian plan in a way that is un-

likely to be acceptable to Arabs.

With either of these outcomes,

the narrow opening to the other-

wise stalemated Middle East peace

process is likely to close once again.

Before now, almost every recent

peace initiative to come from the

Arab world was weighed down

with conditions that not even the

Israeli left could accept. Direct ne-

gotiations with the PLO and

pledges to accept a Palestinian

state were the most common.

But Mr. Mubarak left those con-

ditions out of his 10-point plan and

offered a comparatively moderate

proposal for carrying out elections

that he knew Labor could not turn

down.

And sure enough, the Labor Party

leader, Finance Minister Shimon

Peres, said the Egyptian plan "may

be the most important single opor-

tunity in a long time."

He promoted it to President

George Bush in a meeting on Mon-

day at the United Nations. Mr.

Bush essentially endorsed the pro-

posal.

But on Tuesday, Mr. Shamir re-

sisted. See ISRAEL, Page 2



YOU'RE UNDER ARREST, COMRADE — Soviet police officers from a special elite unit detaining a Moscow resident. The crack police squads were created to cope with a rise in the Soviet crime rate that was singled out this week by President Mikhail Gorbachev as a top-priority area of government concern.

Pentagon Lowers Its Estimate of the Soviet Threat

By Molly Moore

Washington Post Service

WASHINGTON — The Pen-

tagon, in a dramatic shift, now

evaluates the likelihood of a U.S.-Soviet

military conflict as being "perhaps

as low as it has been at any time in

the postwar era."

But the Pentagon's annual report

on Soviet military capabilities, re-

leased Wednesday by Defense Sec-

retary Dick Cheney, also revealed

the uncertainty that U.S. military

planners feel in dealing with the

changes to the Soviet Union.

Warnings that the Soviets are

continuing to modernize their

strategic forces are followed by color

photographs of top U.S. military

chiefs marching in step with their

Soviet counterparts during ex-

change trips. Even the cover of the

report, titled "Soviet Military Pow-

er," foreshadows the change in at-

titude: It depicts the withdrawal of

Soviet troops from Afghanistan.

"There is no effort here to inflate

the threat," Mr. Cheney said at a

press conference. "There is no ef-

fort here to make it seem more

serious than it really is."

But he added, "By the same to-

ken, there is no effort to shade the

truth and imply that somehow the

Soviets don't retain significant

military capability."

[The preface to the report, writ-

ten by Mr. Cheney, included sev-

eral strong cautions about Soviet

military trends under President

Mikhail S. Gorbachev, United

Press International reported. He

wrote that "despite Gorbachev's

stated commitment to a defensive

military doctrine, the Soviet Union

continues upgrading its forces and

improving their capabilities."

[He also noted that despite

promises by Mr. Gorbachev of mil-

itary budget cuts, "since 1985 Sov-

iet defense expenditures have in-

creased by an average of 3 percent

per year to real terms, while U.S.

defense spending has declined in

real terms by over 11 percent dur-

ing the same time period."

[Mr. Cheney added that the Sov-

iet Union was fielding mobile nu-

clear missiles, upgrading submarines,

aircraft carriers and other naval

forces and modernizing battle

tanks to offset its announced tank

reductions from Eastern Europe.

"Soviet military capabilities

continue to constitute a major

threat to our society," he said.]

Throughout the 159-page report,

Pentagon analysts fluctuate be-

tween efforts to justify continued

growth of the U.S. strategic arsenal

and explanations of Soviet pro-

nouncements of troop reductions

and military budget cuts.

The book, in a clear pitch for

greater support from Congress,

says, "While the U.S. grapples with

the selection of a mobile missile

force and its funding, the Soviets

are continuing to field fifth gener-

ation mobile ICBMs, or intercon-

tinental ballistic missiles.

"Until we are able to see clearly

what new security environment we

are entering," it concludes, "main-

taining our military strength and

political resolve seem a small price

to pay to preserve our security and

our freedoms."

Bush Optimistic on Pact

Compiled by Our Staff From Dispatches

WASHINGTON — President George Bush said Wednesday that

there was "a good likelihood" that the United States and the Soviet

Union would be ready to sign a treaty to reduce strategic nuclear

arsenals in time for the superpower summit meeting in late spring or

early summer.

Mr. Bush, meeting with reporters in his White House office, said

the scheduling of the session with the Soviet leader, Mikhail S.

Gorbachev, would serve as a "catalyst for moving forward" on a

treaty but that it was "not a given."

Mr. Bush hailed the improvement in U.S.-Soviet relations. At the

same time, he cautioned that the United States still had to regard the

Soviets as an adversary from a military standpoint. "I want to have a

prudent defense policy," he said. "I don't want to do something

naïve or silly in defense just because we are working more closely

with the Soviets today."

In Geneva, Yuri K. Nazarkin, the chief Soviet nuclear arms

negotiator, said Wednesday that "major progress" could be made on

cutting strategic offensive weapons but that he "wouldn't dare"

predict that a treaty would be ready for signing when Mr. Bush and

Mr. Gorbachev meet.

Mr. Bush rejected Moscow's new proposal that the two countries

slash their stocks of chemical arms to zero, but he predicted that the

superpowers would agree to lesser cuts. The superpowers must retain

some chemical weapons as leverage to induce other nations to join

the ban, he said. "We need a certain sense of deterrence and we need

to have some leverage," he said. (AP, Reuters, UPI)

U.S. Shift Baffles Soviets Seeking Visas

By David Remnick

Washington Post Service

MOSCOW — Despite the well-advertised changes carried out

under President Mikhail S. Gorbachev, Soviets are applying to leave

the country in record numbers — only to encounter new difficulties in

finding a home in the West.

U.S. officials said Wednesday that they expected to turn down as

many as 200,000 Soviet next year.

And outside the U.S. Embassy to Moscow, anxiety reigns. The

hundreds of Jews, Armenians, Pentacostals and others who have been

lining up to apply for visas say that their unease about the Soviet

political and economic situation is matched only by their confusion

about a series of shifts in U.S. immigration procedures.

"It's impossible to live here," said Yuri Bernadsky, a 20-year-old

Jew from the Ukraine. "Just to feed yourself is a trial, and, as I see it,

anti-Semitism has gotten worse in the past few years."

"Now I'm baffled," he added. "I just hope the Americans aren't

going to forget about us."

For years, when Soviet emigration policy was considered repressive

at best, U.S. efforts were directed at pressuring Moscow to relax the

restrictions and then processing visas as quickly as possible.

Although Moscow has yet to present its long-awaited new laws on

emigration, the Kremlin has, in practice, made it much easier for

citizens to apply for and receive permission to leave the country.

A senior U.S. Embassy official said Wednesday that applications to

leave the Soviet Union for the United States had reached "avalanche"

proportions. He said he expected that, at current rates, the embassy

could get up to 300,000 applications in the year beginning Oct. 1, but

would only be able to provide visas for about 80,000.

That figure represents a significant rise over the approximately

50,000 who will be admitted this fiscal year. But it also means that the

United States is now in the uncomfortable position of having to say

no to thousands of others.

In the last week, U.S. officials have met with representatives of

other Western embassies to urge them to accept some of the flow.

To cope with the flood of applicants, Washington has announced a

series of procedural changes that will go into effect next week.

All prospective immigrants must now deal directly with the U.S.

Embassy. Previously, many Soviet Jews obtained Israeli visas and

traveled to transfer points in Vienna and Rome, where they applied to

immigrate to the United States.

According to ceilings set in Washington, about 50,000 Soviets can

enter the United States as refugees, making them eligible for assistance

that usually amounts to about \$7,000 for each emigrant. Another

30,000 will be allowed to immigrate on a "parole" basis, with no

public financial support.

Officials said that nearly 75 percent of the immigrants next year

would be people with close relatives already living in the United

States.

An Angry Dutch City Breaks the Drug Habit, With Its Fists

By Ronald van de Krol

Special to the Herald Tribune

ARNHEM, the Netherlands —

As they began sweeping up the

streets during protests against drug

traffickers, the people of Arnhem

said that they had no qualms about

taking the law into their own hands

<

Bogotá Signs Pact With M-19 Rebels

Barco Says Deal Includes Amnesty And Vows to Continue War on Drugs

BOGOTÁ — The government and Colombia's most notorious guerrilla group, M-19, have signed a peace treaty, but the battle against the nation's drug rings will continue, President Virgilio Barco Vargas says.

Mr. Barco made the announcement Tuesday night in a broadcast address. He said the treaty called for pardons for members of the leftist guerrilla group and for them to give up their weapons.

The rebels would also be allowed to form a political party under the agreement, which was reached after six months of negotiations, Mr. Barco said.

There was no immediate comment from M-19, which is believed to have about 2,000 members and is the only one of six Colombian rebel groups negotiating with the government.

M-19 was formed in 1970 by dissidents who claimed a presidential election that year was fraudulent. The group drew international attention in 1985 when it seized the

Palace of Justice in Bogotá. A total of 95 people were killed in an army assault to recapture the building. The second announced Tuesday was signed by the M-19 leader, Carlos Pizarro, and a presidential adviser, Jaime Pardo Rueda, at the group's mountain headquarters in Santo Domingo in southwest Colombia, officials said.

The Colombian congress must approve the accord. If approved, the treaty calls for M-19 to give up its weapons before the end of the year. In return, the government has pledged to offer amnesty for jailed M-19 members before the end of October.

The group has waged a campaign of assassinations, kidnappings, bombings and armed raids but its actions in recent months have been overshadowed by the battle between the government and the drug barons.

The guerrillas urged the government this week to end its war against the cocaine rings, to pardon drug traffickers and to refuse to extradite them to the United States. A statement by M-19 published Tuesday in El Tiempo, Colombia's largest newspaper, also urged negotiations between the government and the drug barons.

The government says the drug lords and about 10,000 guerrillas from six groups work together, with the cocaine rings providing money to the insurgents in exchange for armed protection.

Since the government crackdown began in August, there have been 112 bombings. The police say the bombs have killed 8 people and wounded 137.

One bomb exploded at a supermarket and seriously wounded five people. The other went off in the evening at a Roman Catholic high school, but the school was closed and there were no injuries, the police said.

Meanwhile, hundreds of tourists fled the city of Cartagena aboard planes, buses and taxis after a bomb exploded on Monday at the Hilton Hotel, killing two people.

Drug traffickers "are trying to destroy the most precious thing that Colombians have — their democracy," Mr. Barco said.

He said that since he declared war on the traffickers, security forces had seized 1,056 properties along with 525 vehicles, 74 boats and 375 airplanes.

More than 10,000 people have been arrested, and 534 of them have been charged with crimes that link them to drugs, Mr. Barco said.

Mr. Barco was traveling to the United States on Wednesday to confer with President George Bush about the drug war. (AP, Reuters)



Mr. Quayle arriving in the rain Wednesday at Clark Air Base, in the Philippines.

The Invisible Quayle Enigma

The More He Does, the Less People Know About Him

By R.W. Apple Jr.

New York Times Service

WASHINGTON — Vice President Dan Quayle is having more trouble than any vice president in recent history in projecting a clear picture of himself onto the national canvas.

A New York Times-CBS News Poll showed that more Americans have an unfavorable view than a favorable view of Mr. Quayle.

At election time last year, 25 percent said they had not heard enough about Mr. Quayle to have an opinion; now, eight months into his term, 45 percent gave that response — almost twice as many people, despite Mr. Quayle's efforts to carve out a niche for himself through speeches and travels in the United States and abroad.

How could it be that the more Mr. Quayle says and does, the less people know about him? And if it continues, how long can he survive in the office that puts him, as the banal but accurate phrase has it, a heartbeat away from the presidency?

To survive, people in Washington say, Mr. Quayle will have to be taken seriously. Why isn't he now? Or rather, as one Republican congressman put it, why does so little he says seem to get through? Some speculate that it is because he looks young, or because George Bush seemed to pick him out of nowhere to be his running mate.

Quayle Gets Agreement From Aquino on Leases

Compiled by Our Staff From Dispatches

MANILA — President Corason C. Aquino accepted a request from Vice President Dan Quayle on Wednesday that talks begin in December on extending leases on six U.S. military bases in the Philippines.

Although beleaguered by demonstrations and by the killing Tuesday of two American employees at a U.S. base, Mr. Quayle said Wednesday he was confident that the Philippines would renew the agreement.

Most Filipinos "want us to stay," he said, adding that the slaying of the two Americans was a terrorist act. He said that terrorism would not drive the United States from its Philippine bases.

The vice president addressed servicemen at Clark Air Base and Subic Bay Naval Base after talks with Mrs. Aquino during which they agreed that the two countries would begin negotiations in December on the future of the two biggest American bases outside the United States.

The U.S. lease on Clark and Subic and four smaller military installations expires in 1991.

"Let me be very clear and let me be very direct," Mr. Quayle said at Clark, 80 kilometers (50 miles) north of the capital. "We will not allow terrorists to drive us from the Philippines."

Basque Bombs Hit French

BILBAO, Spain — Bombs exploded Wednesday at Citroën and Peugeot car showrooms, causing limited damage and no injuries, and a third device at a Renault dealer was defused, the police said.

French car showrooms have been a target of Basque separatists since France stopped acting as a sanctuary for Basque refugees from Spain in 1984.

Dutch Withdraw Glomp Invitation

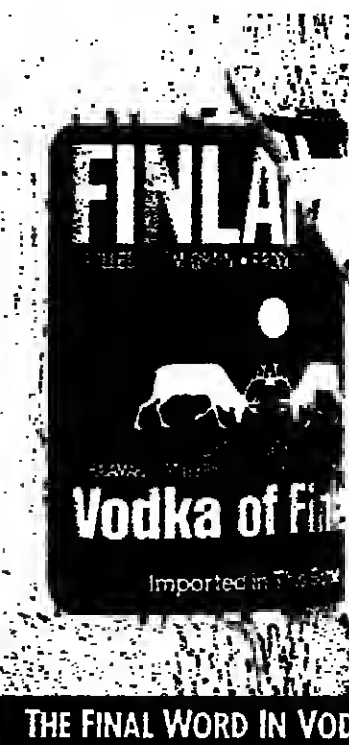
Reuters

THE HAGUE — A Dutch university has withdrawn an invitation to Cardinal Józef Glemp, the Roman Catholic primate of Poland, over remarks he made that it deemed anti-Semitic.

The board of trustees of the Catholic Nijmegen University withdrew the invitation to Cardinal Glemp to visit in February after 20 professors signed a petition saying that he would not be welcome after his "anti-Semitic remarks," a university spokeswoman said.

The cardinal, who in August criticized Jewish leaders demanding the removal of a convent from the site of the Auschwitz death camp, had been scheduled to speak about the role of the church in Poland, although he had not yet accepted the invitation.

The board did not rule out his being invited later if he retracted his remarks.



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U.S. Tightens Security for Bush Children

The Associated Press

WASHINGTON — President George Bush said Wednesday that he would not be "deterred by rumors" that Colombian drug traffickers had threatened to kidnap one of his five children, but he confirmed that security had been increased.

A New York newspaper said the traffickers had threatened the kidnapping if they were not granted an amnesty.

Newsday quoted unidentified intelligence sources as saying that they believed that Mr. Bush's 30-year-old daughter, Dorothy LeBlond, was most vulnerable. The sources told the newspaper the threat also applied to U.S. officials involved in anti-drug efforts.

"I can't do my job if I get deterred by rumors," Mr. Bush said. But he said that Secret Service protection had been increased for his children.

The threats surfaced about two weeks after Mr. Bush's Sept. 5 speech outlining his strategy against drug smuggling and abuse, the sources said.

U.S. to Attempt Again To Survey AIDS Spread

By Bruce Lambert

New York Times Service

NEW YORK — After two years of false starts, U.S. officials have taken the first steps toward beginning a national survey aimed at finding out how many Americans are infected with the AIDS virus.

The Department of Health and Human Services mailed letters Tuesday to 3,400 Dallas households asking residents to undergo anonymous blood testing and to answer questions about their sexual activities and use of drugs.

If the Dallas survey satisfies U.S. officials, they expect to proceed with a nationwide sampling of 50,000 homes to gauge the extent of the AIDS epidemic.

This national effort, first planned by the Reagan administration, is expected to cost \$25 million to \$32 million.

It has been fiercely opposed by some homosexual groups who questioned its methodology and are worried about breaches of confidentiality. They said the money

would be better spent treating AIDS patients.

On Saturday, 45 teams in Dallas will begin canvassing homes and seeking volunteers, who will be paid \$50 to participate. Each team will have two members, one to draw blood and the other to present a form with about 40 questions to be filled out.

Television announcements featured the former surgeon general, C. Everett Koop, calling on Dallas residents to cooperate.

On a visit last week, Dr. Gary Noble, an AIDS official from the federal Centers for Disease Control, called participation in the survey "a service to the nation as well as Dallas County."

But the Dallas Gay Alliance is broadcasting its own television messages in opposition. Promoting buttons inscribed "Just Say No," the alliance is urging residents to refuse to cooperate.

Debate has surrounded the National Household Seroprevalence Survey since it was conceived by Ronald Reagan's advisers, who expressed frustration over the uncertainty of U.S. statistics.

The first attempt to conduct the survey, in Washington, was scuttled last year when local health officials protested that they were not consulted. Plans to extend the project to New York and other cities were placed on hold. Later, a small pilot project involving 350 homes was tried in the Pittsburgh region.

Dallas was chosen, officials said, because its population is large and diverse and because local officials were receptive. The U.S. and local health authorities have worked closely together and created a 29-member community advisory board to review the questionnaire and the survey process.

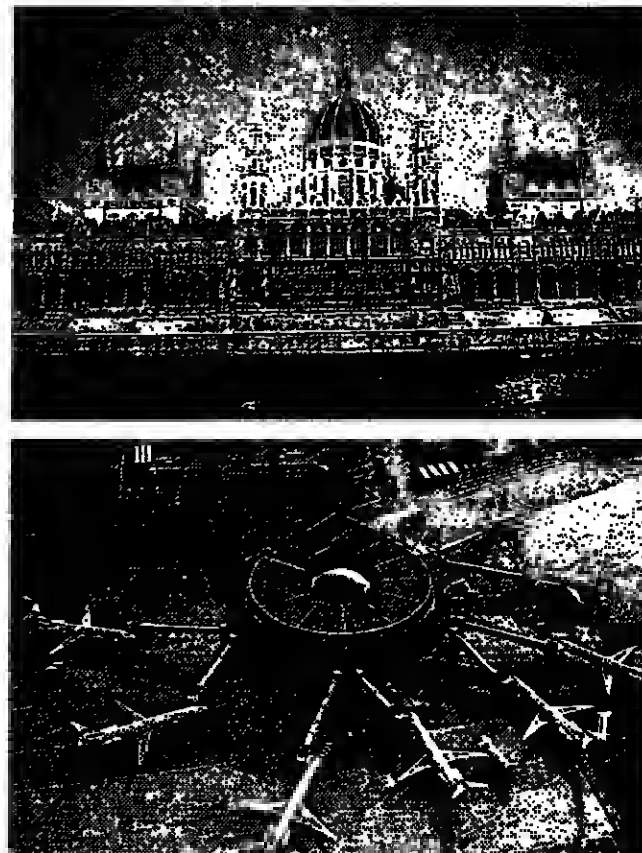
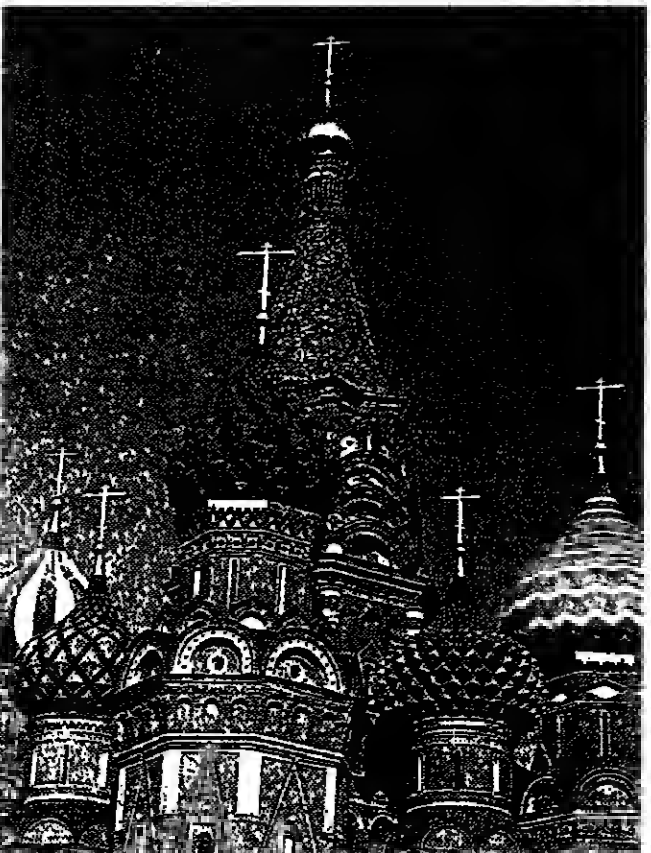
"It is worth knowing what the AIDS epidemic is — when we're concerned about Hurricane Hugo, we send out hurricane trackers — because we can do a much better job planning for medical and social services as these people come down with disease," said Dr. Gordon Green, the Dallas health commissioner.

The estimates of people in the county infected, estimates he called "an educated guess," range from 15,000 to 30,000.

Some other AIDS and homosexual groups, both local and national, have endorsed the survey.

Current U.S. estimates are that about 1 million to 1.5 million Americans are infected. But these estimates are themselves based on imprecise projections of the number of homosexuals and drug users and others who are infected.

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Hanoi Says Its Last Soldier Has Left Cambodia, but Thais Dispute This

By Steven Erlanger

New York Times Service

HO CHI MINH CITY — The last Vietnamese soldier has left Cambodia, a senior Vietnamese official said Wednesday.

The last two vehicles of Vietnamese troops, which had broken down, were towed across the border between 4 P.M. and 5 P.M. on Tuesday, according to General Nguyen Van Thai.

He added that there were no speeches or ceremonies. "That is not in accordance with Vietnamese traditions," said General Thai, the deputy director of the political department of the Ministry of Defense, in implicit comparison to the family orchestrated Soviet withdrawal from Afghanistan in February.

[Thailand's] deputy foreign minister, Prapass Limpadit, after a border tour in the Phraya District, accused Vietnam on Wednesday of failing to withdraw all its armed forces from Cambodia.

He said that more than 10,000 Vietnamese settlers with military training remained in Cambodia and that heavy weapons were being looked over by Vietnamese troops. Mr. Prapass traveled Wednesday to Ta Phraya, 250 kilometers (155 miles) from Bangkok, to inspect the Thai-Cambodian border after Vietnam's troop withdrawal.

Vietnam had promised to have all its troops and civilian advisers out of Cambodia by midnight Tuesday.

General Thai repeated in various ways that not a single Vietnamese soldier remained in Cambodia. He said it was possible some of the 200 to 300 Vietnamese troops still missing in action were being held prisoner or were wandering. But he said that the government had ordered every soldier out and that the army had complied.

General Thai said that to his knowledge, the last Vietnamese soldiers to die in Cambodia were killed on Sept. 23 on their way home. In one instance, he said, a truck rolled over into a river in Stung Treng Province, drowning a soldier. And in another incident, he said, the drivers of a Vietnamese truck and a Cambodian truck passing one another on Route 5 tried to shake hands; the Vietnamese soldier was

pulled out of his vehicle to his death. But he said there had been no hostile action taken against remaining Vietnamese soldiers by the guerrilla coalition opposed to the Phnom Penh government. Led by Prince Norodom Sihanouk, that coalition is dominated militarily by the Khmer Rouge, whose government they invaded Cambodia in December 1978.

Prince Sihanouk and the Khmer Rouge charge that the Vietnamese withdrawal is bogus — that many soldiers have remained behind in Cambodian uniforms. General Thai described Prince Sihanouk's assertion as a pretext for continuing the war in Cambodia.

He said that China, the primary

supporter and arms supplier to the Khmer Rouge, has asserted that 12,000 to 13,000 Vietnamese soldiers remained behind. "China has not changed its policies toward Vietnam," he said. "We want peace and friendship, but it seems to me that China does not like us in peace."

General Thai said Vietnam was not yet entirely at peace, since the Chinese still occupy what Vietnam considers its territory in the Paracels and the Spratly Islands. China also holds a part of Vi Xuyen, a village in Ha Tuyen province, he said.

Vietnam recently decided to spend 15 billion dong (about \$3.7 million) to find and repatriate the remains of Vietnamese soldiers killed in Cambodia. More than 90

percent of the dead — about 25,300 since 1979 — have been brought home, General Thai said. Vietnam is still searching for tens of thousands of its soldiers killed in the U.S. war, he said, and it was also trying to help find the remains of missing U.S. soldiers.

He said that the Khmer Rouge seemed to be massing troops in Thailand near Pailin, an important ruby-mining area in northwestern Cambodia, but that only "a couple hundred" Khmer Rouge were now fighting Cambodian forces about 15 kilometers northwest of Pailin and about 5 kilometers from the Thai border.

He said he thought that the Khmer Rouge were concentrating their strength on Pailin, which is difficult for the Cambodian Army

to supply, but that the town of Sisophon, the capital of Banteay Meanchey province, was also an objective, since that would cut the main land route to Thailand.

The greatest weakness of the Cambodian Army is its inexperience, he said. Both soldiers and officers "have little experience and know-how in fighting and military operations." But he said that their spirit was high and that they were quick learners.

Fatal Car Pileup in Portugal

OPORTO, Portugal — At least three persons were killed and 15 injured Wednesday in northern Portugal in a chain-reaction accident involving more than 30 cars in heavy fog.

U.K. Vows to Protect Hong Kong's Rights

By Paul Lewis

New York Times Service

UNITED NATIONS, New York — Britain, criticizing the suppression of China's pro-democracy movement, told the United Nations on Wednesday that it would take new steps to ensure that Beijing respects Hong Kong's fundamental freedoms after it takes over the territory in 1997.

The British foreign secretary, John Major, making his first UN appearance, accused China before the General Assembly of damaging confidence in Hong Kong's future as a leading Asian financial center.

Mr. Major said that "millions of people around the world were shocked to see Chinese troops kill and wound their fellow citizens on the orders of their own government" during the crackdown on the student democracy movement this summer.

He also said that it would seek a new international accord on the repatriation of many of the 56,000 Vietnamese refugees now housed in Hong Kong camps when the International Conference on Indochinese Refugees reconvenes in Geneva next month to review their plight.

Mr. Major warned that it would take "time, steady nerves and, above all, an explicitly supportive attitude on the part of China, to restore Hong Kong's confidence in its future" after the Tiananmen Square massacre and China's declaration of martial law.

China, he went on, must now give "practical reassurances" to the people of Hong Kong that it will respect its 1984 agreement with Britain under which Hong Kong is to maintain its free-market, democratic, Western life-style after it reverts to Chinese rule.

To put pressure on China to respect the agreement, the foreign secretary said, Britain planned to introduce three new measures this year.

It will give Hong Kong its own Bill of Rights, enshrining the people's rights and freedoms in a single legislative act. British officials say this is intended to codify and clarify the liberties and customs China has undertaken to respect.

In addition, Britain will speed up the introduction of a democratically elected government in the colony. The aim is for at least half the seats in Hong Kong's present appointed legislature to be filled by direct election by 1995, two years before China takes over.

Finally, Britain's conservative government is softening its previous refusal to give Hong Kong's largely Chinese population of some 3.25 million the right to resettle in Britain if they do not like Chinese rule.

Mr. Major said the government would give an undisclosed number of people "essential to Hong Kong's future stability and prosperity" the right to flee to Britain if they wish. Giving key citizens this right, officials argue, provides China with an incentive to treat Hong Kong properly so they choose to continue living there.

Mr. Major said Hong Kong could no longer cope with the influx of Vietnamese refugees, many of whom are seeking a better economic life and do not qualify as refugees under international law.

He called on the office of the UN High Commissioner for Refugees to step up efforts to persuade such refugees that no other country will take them and that they should volunteer to be resettled in Vietnam under international supervision.

Clash at Detention Center

Vietnamese refugees armed with stones and iron bars fought at a detention center early Wednesday. The government said 23 persons were injured and 22 arrested. The Associated Press reported from Hong Kong.

Outbreaks of fighting between refugees have increased in recent months at overcrowded camps filled with Vietnamese awaiting word on whether they will be granted asylum or repatriated.

For Vietnam Family: A Dead Son, Memories and \$2 a Month

New York Times Service

HO CHI MINH CITY — The family of Tran Van Thiep provides a reminder of the cost to the Vietnamese of the long Cambodian war.

Mr. Thiep, 66, who once fought against the French, insisted that his son, Tran Dinh Luong, fulfill his duty and join the army to fight in Cambodia.

In 1984, Mr. Luong, 20, was killed in action. His parents did not learn of his death for two years — from two members of his unit.

The sound of their mourning was so loud that a policeman came and

told them to stop, saying that that word of the death was only a rumor, a psychological trick. Mr. Thiep said. His son's friends were angry, and they wanted to beat the policeman; official confirmation of Mr. Luong's death came much later.

Mr. Thiep receives about \$2 a month, the equivalent of 13.5 kilograms (30 pounds) of rice, as a pension for his son. He has another son in the army who was stationed in western Cambodia; Mr. Thiep and his wife, Pham Thi Nhi, 63, await his return.

Mr. Thiep says he regrets having

compelled his son to join the army. "He was a very skillful worker," he said, "but I forced him." He started to cry. "I think of him all the time."

His wife says that the death caused Mr. Thiep to have a nervous breakdown and that he still received psychiatric treatment.

"I didn't want to send my son anywhere," she said. "But he decided everyone must do their military duty. If one son is martyred, other sons should not have to serve."

On a wall in Mr. Thiep's small stucco house alongside railroad tracks are two certificates awarded his dead son. The first, signed by

Phan Van Dong, then chairman of the Council of Ministers, commends Mr. Luong as a "war martyr who died building and defending the country." The other is a war medal third-class, for "a martyr who has bravely sacrificed his life."

With Vietnam completing what it calls its final pullout from Cambodia, the family expects the serving son to arrive home any time.

But another son, Tran Van Hung, 33, says his brother "will have nothing" when he comes back. "He will just wait for the government to find a job for him," Mr. Hung said. "A lot of those who

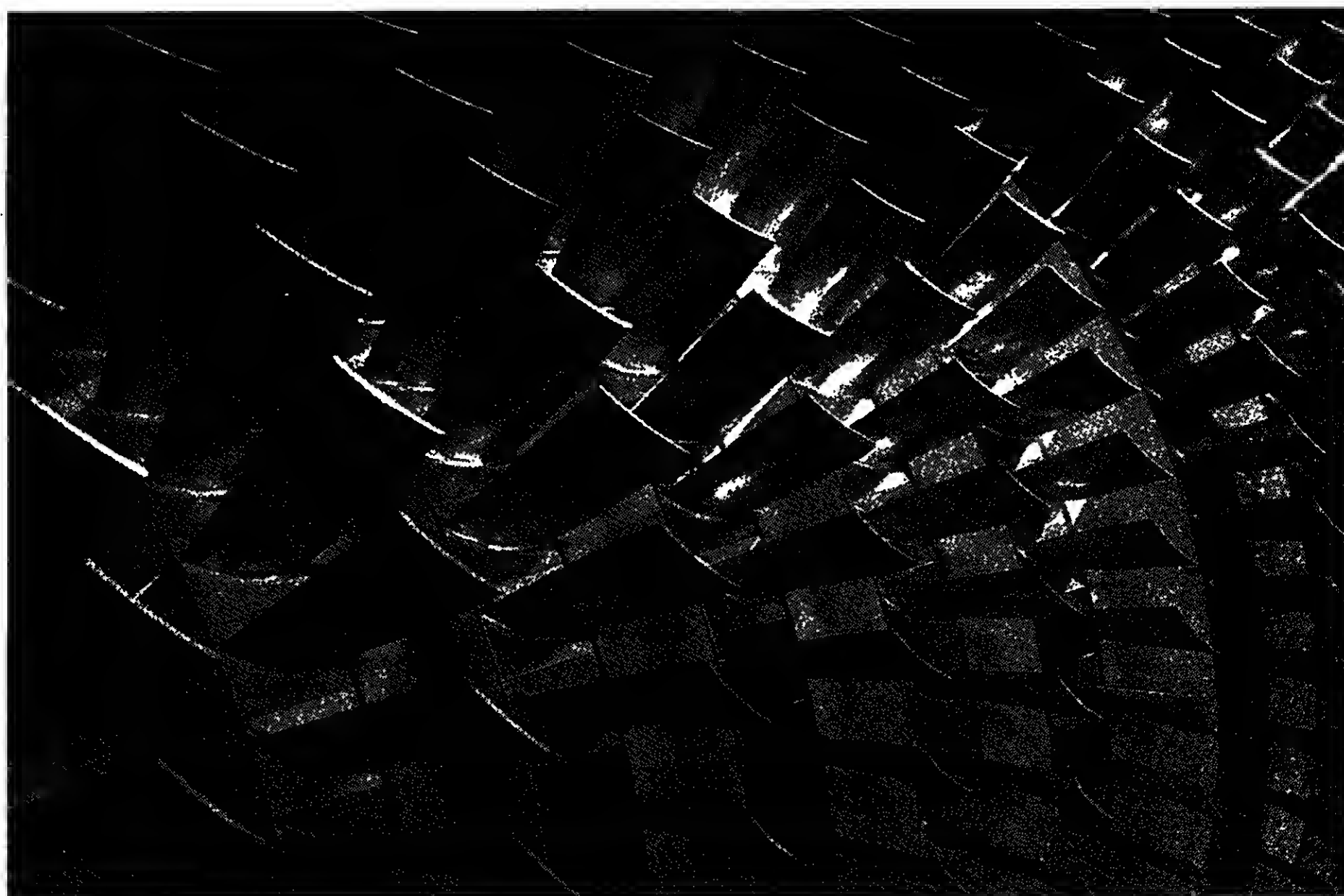
have come back before are still waiting."

But Mr. Thiep's wife wanted to say something more of her dead son.

"All the same, we try to find out where he died," she said. "It is the government's duty to bring him back, not the family's. We want all Vietnamese bones to be brought back and buried in Vietnam, not in Cambodia."

—STEVEN ERLANGER

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Lufthansa

END: Second Thoughts on an Ism

(Continued from page 1)

Mr. Fukuyama attacks in his end-of-history piece, says there's a cult dynamic at work here. The cover of the latest *New Republic* features the line: "History Has Ended? Tell It To Peru."

Will Endism be over before the copy requested by No. 10 Downing Street arrives on the desk of Margaret Thatcher? If so, what ism comes next?

Last year, it was "Declinism," a gloomy look at America's future promoted by a Yale professor, Paul Kennedy, in a book called "The Rise and Fall of the Great Powers." Not to mention the environmentalism whose fears of an overheating earth seem to have risen and fallen in direct proportion to how hot the last two summers have been in Washington and New York.

Indeed, Stephen Sestanovich of the Center for Strategic and International Studies has written, "The end of history," in Frank Fukuyama's excellent essay can easily begin to sound like the political equivalent of global warming."

If Endism has ended, is it Mr. Fukuyama's fault for refusing to go on television to talk about it? Was his wife right when she told him not to quit the Rand Corporation to return to the State Department?

"My wife predicted my article would be a big hit," Mr. Fukuyama said in his office, in one of countless interviews over the last few weeks about Endism. "She said, 'Don't leave Rand, we could get rich off this.'" And now, at State, he wants to keep such a low profile that he even stays off the talk shows.

Mr. Fukuyama is 36, a Harvard Ph.D., the son of a congressional minister who taught at Penn State. He has a heart-shaped face. He has the acuteness of the policy player and the shyness of the policy player. He wears a shirt with a fashionably spread collar but the lumpiness of home laundering. He wears red suspenders and black penny loafers. He lives in northern Virginia, and he has a year-and-a-half-old daughter.

He spent a year studying in Paris, and can recite the names of teachers such as Derrida, Foucault and Barthes, the last of the great French tag teams in the intellectual wrestling ring.

When he wrote the essay he was

working at Rand, a think tank, but when it came out he had moved to the State Department. His new position aroused suspicions that he was announcing what foreign policy analysts have been waiting for someone to announce, which is to say the Bush administration's foreign policy.

"One of the misimpressions that is growing up is that it's related to the Bush agenda," Mr. Fukuyama said.

Mr. Fukuyama roots his Endism in the philosophy of G. W. F. Hegel, who after seeing Napoleon at the Battle of Jena in 1806, said history had ended then.

There appears to be a sudden craving for ideas in Washington, where having an idea has tended to resemble a cross between hiring a speech writer and deciding which Northern Italian restaurant to go to. As Mr. Fukuyama himself says, "People in Washington have a hard time seeing that there are larger philosophical questions than the public policy agenda."

But why has Endism provoked argument and concern from Holland to Australia? Is it possible that we've all been taking this a little too seriously? After all, when the piece appeared, its publisher, Irving Kristol, who is known as "the godfather of neoconservatism," wrote, "I don't believe a word of it."

In his office, Mr. Fukuyama said: "I wrote the thing to be speculative and provocative. I was not being cautious. Particularly in the conservative community, things needed to be shaken up. A lot of my life has been a battle against technical narrowness. It's true at State and it was true at Rand."

But is the piece a joke? Is he just playing with us?

"You have to figure that out for yourself," he said. "As to how much of it I mean, and whether I'm fully serious in all parts, you have to figure out for yourself."

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Herald Tribune

Published With The New York Times and The Washington Post

The Other Gas Problem

In centering his first United Nations address on chemical weapons, President George Bush highlighted an issue that reflects two contrary currents of the emerging international scene. Great-power relations are improving to the point where it seems increasingly feasible for Washington and Moscow to negotiate the large, mutual, verified cuts in chemical weapons that Mr. Bush proposed. At the same time, a real threat remains of the sort of "low-intensity" regional and ethnic conflicts in which chemicals might yet be used.

It is immensely desirable that the industrialized countries take their stockpiles away from the shelves. These are the ugliest weapons, with a special aura of horror, and their very presence in superpower arsenals has created fear and suspicion — the fear that they might be used in a European war, for instance, and the suspicion that lethal Soviet chemicals actually were used in Third World conflicts in the Brezhnev period.

The Bush proposals are criticized for not ensuring that stockpiles of old weapons go all the way to zero and for not compelling a halt to production of new weapons. Abolitionists like the idea of zero. The relevant question, however, is not what capabilities might be left to the countries presumably

least likely to use them, but what additional leverage these countries will gain on the 20 or so chemical-weapons-capable Third World countries presumably most likely to do so.

The abolitionists argue that countries which surrender chemical weapons will be better able to talk, shame and influence the others to go out of the business, too. For this to happen, however, it is necessary to address and dispose of the dark possibility that countries like Iraq, which used chemicals against Iranian soldiers, and last year against its own insurgent Kurdish citizens, are in fact not horrified by these weapons at all, that they find the horror of them politically or strategically useful.

The Bush administration believes that the United States needs a minimal chemical weapons force of its own to deter other chemical-weapons-capable countries. We have long thought that deterrence of anyone contemplating use of these weapons against the United States could be accomplished by nonchemical means.

But this is a secondary or, at least for now, relatively remote issue. It distracts attention from the serious and urgent question of how to get the Iraqis of this world to stop the use of killing gas.

— THE WASHINGTON POST.

Bad Cambodia Policy

Vietnamese troops have finally left Cambodia. But with no agreed transition plan, Cambodians face a stark choice between the Vietnamese-installed Hun Sen regime and the genocidal Khmer Rouge. And the Bush administration now has to face the bankruptcy of its policy of backing Prince Norodom Sihanouk along with his Khmer Rouge allies and of opposing Hun Sen. Morality and practicality require a new approach.

The prince has headed an uneasy coalition of non-Communist and Khmer Rouge forces whose presumed purpose was to resist the Vietnamese occupation. That occupation has now ended, and the real force in the coalition looks increasingly like the old, unreformed Khmer Rouge. Incredibly, these killers, already to blame for more than a million deaths, seem poised for a possible comeback.

U.S. policy collapsed in embarrassment last month when the 19-nation Paris peace conference on Cambodia fell apart. That conference, intended to produce an all-party interim government, saw Prince Sihanouk act like a broker for Khmer Rouge interests. The Hun Sen regime, which has yet to demonstrate its legitimacy, was fully justified in rejecting the prince's demand that the Khmer Rouge share power. With Vietnamese troops now withdrawn, U.S. relations with Hun Sen, and with Hanol, could usefully be reassessed.

Washington believed, reasonably, that

any political settlement which excluded the Khmer Rouge could be vulnerable to Khmer Rouge disruption from the outside. Unreasonably, Washington then imagined that Prince Sihanouk somehow could bring the Khmer Rouge into a settlement without conceding them any real power. He was unable to perform any such magic.

The Paris conference revealed the illogic of the U.S. position. If the Khmer Rouge was so strong that it could not be safely excluded from a broad-based interim regime, then wasn't it also likely to dominate its non-Communist partners?

The prince appears to have become a prisoner of his Khmer Rouge allies, but Washington need not be. It is unlikely that any U.S. policy can save Cambodia from renewed civil war, but decency demands that Washington distance itself further from the Khmer Rouge and from Prince Sihanouk.

Cambodia's future is likely to be discussed again at the current UN General Assembly session, and perhaps at a reconvened Paris conference. That gives the Bush administration a chance to make emphatically clear that no Cambodian settlement offering the Khmer Rouge any political or military role is acceptable. Perhaps the United States cannot now design the right diplomatic peace formula, but at least it can abandon a profoundly wrong moral course.

— THE NEW YORK TIMES.

America Turns Stingy

Long lines of limousines parked on certain Washington streets have been the outward sign of the international financial meetings in progress. But not everyone with an interest in the meetings travels by limousine. One urgent question for the World Bank is the level of aid it will lend to the poorest countries, most of them in sub-Saharan Africa.

The United States is having trouble making up its mind how much it wants to contribute and under what conditions. This money, in the form of loans at a subsidized low interest rate, goes to the poorest of the poor through a World Bank agency called the International Development Association. Most of the other rich countries have informally agreed to maintain the IDA at the present level, adjusted upward for inflation. That would raise the American contribution — a little less than one-fourth of the total — from \$965 million a year to \$1.1 billion.

The United States has refused to commit itself, citing a deep concern about the IDA's environmental standards. Other contributors suspect that the United States, caught in the politics of Gramm-Rudman and the budget, is using the environmental issues as a smoke screen for delay. If that is wrong, as the Bush administration indignantly claims, it ought to be possible to negotiate adequate guarantees. But the United States keeps coming up with new objections.

Americans worry about the reports that their country's influence is in decline world-

wide and that the endless budget quarrels contribute to it. Foreign aid is a good example. Foreign aid is largely an American invention, a manifestation of American idealism at work to help other societies raise their standards of living. But the country seems to have drifted away from those ideals during the years. Japan, a country half the size of America, now contributes nearly as much to the IDA.

But it is a matter less of political prestige than of simple morality. Half of IDA loans go to Africa. In nearly all of those countries, GNP per capita is less than \$500 a year, compared with \$20,900 in America.

The United States is getting stingier as it gets richer. Since 1980, American GNP per capita after inflation has risen substantially, by nearly a fifth. In those same years, American aid for development and humanitarian assistance abroad has fallen. Policymakers cry that the country doesn't have the money to give more. That is flatly wrong. The country has never had so much money. But it currently chooses to spend a strikingly high proportion of its money on private consumption. That is why there is a growing shortfall in American public responsibilities, abroad as well as at home. In the IDA meetings the United States is the laggard among the rich countries, whining and complaining as the others try to preserve at least the present level of aid.

— THE WASHINGTON POST.

Other Comment

Stop Meddling in Cambodia

The outside powers must be persuaded to stop fueling the protracted war inside Cambodia. The proxy war must end. With the cessation of military assistance, the principle of noninterference should logically be extended to cover partisan political support from outside for the warring factions. Instead there should be more international support for a political solution to end the fighting.

— New Straits Times (Kuala Lumpur).

Argentina and Britain

Carlos Menem's first 100 days as president of Argentina are proving remarkable. At home and abroad he has moved swiftly to lift the nation from the economic morass bequeathed by his predecessor and to strengthen relations with other Latin Amer-

ican countries. On Monday [he] told reporters that he wanted to restore diplomatic relations [with Britain] before the end of the year, and spoke of the possibility of meeting Mrs. Thatcher. Then, in a speech to the United Nations General Assembly, he reasserted his country's claim to the Falklands.

Only when the two countries have begun substantive discussions in Madrid [next month] will it become clear how long they will need in order to normalize relations. To advise caution is not to pooch-pooch Mr. Menem's enthusiasm for better relations. It is merely to recognize that the wounds of the past will take time to heal.

— The Daily Telegraph (London).

The president merits a warm verbal response from this country, if only because it is in our interest to bolster his position at home rather than to undermine it.

— The Independent (London).

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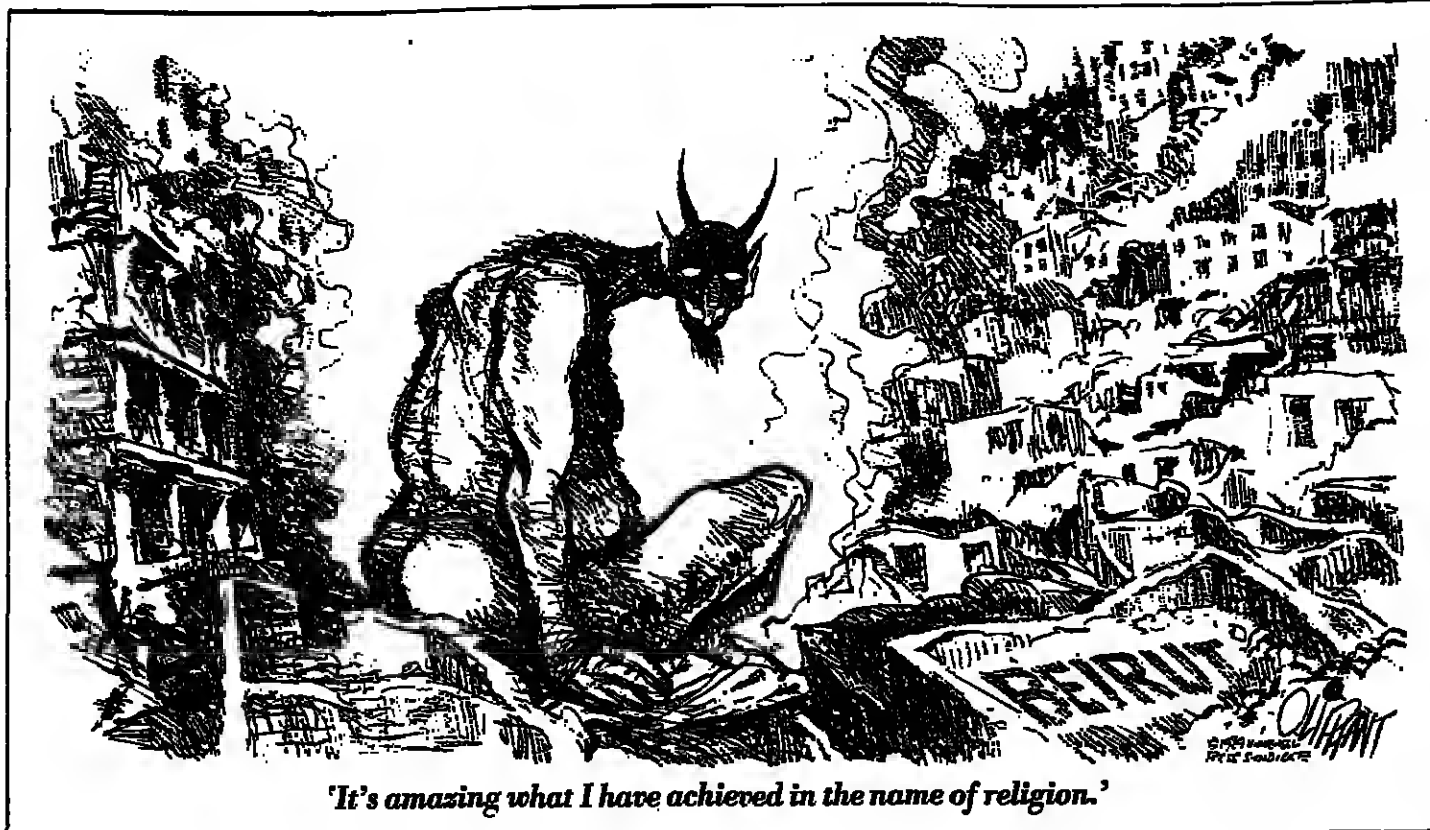
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OPINION



'It's amazing what I have achieved in the name of religion.'

Put the Pol Pots on Trial Instead of Helping Them

By Jim Leach

The writer, a Republican from Iowa, is the ranking member of the Asian and Pacific Affairs Subcommittee of the House Foreign Affairs Committee.

WASHINGTON — Sometimes nations are compelled to opt for the moral high ground rather than comply with a policy of alleged pragmatism that might produce an ethical abomination. Such is the situation in Cambodia today.

Between 1975 and 1979, upward of two million people — one-sixth of the Cambodian population — fell victim to the genocidal policies of Pol Pot

We need a tribunal, modeled on Nuremberg, to hold international criminals accountable for their crimes.

and the Communist Khmer Rouge. In turn, Vietnamese imperialists used this tragedy as a rationale for invading Cambodia, extending their military and political hegemony in Southeast Asia.

In view of this history, U.S. policies in Cambodia should be animated above all by a refusal to countenance the return to power of Pol Pot. But that is not the case.

Since the Vietnam War, American policy toward Cambodia has been one of disengagement. We have gone from the extreme of thinking that we had the only answers in the region, as we did in Vietnam, to the extreme of thinking we have no independent judgment to offer. Accordingly, we have deferred too often in strategy and philosophy to the judgment of regional actors.

As a result, Washington has fallen prey to the

lowest policy denominator and ceded American diplomacy to the Chinese, the ASEAN alliance and Cambodia's Prince Norodom Sihanouk.

Credulously, the State Department has succumbed to the entreaties of these parties, each of which has a private agenda. Thus the United States is backing a political solution involving a four-party transitional government composed of the Vietnamese-installed prime minister, Hun Sen, Prince Sihanouk, a former prime minister, Son Sann, and the Khmer Rouge.

Yet there is no credible evidence that the political rehabilitation of the Khmer Rouge, which this policy implies, does anything except strengthen the hand of Pol Pot and his savage henchmen. Prince Sihanouk may have decided, again, to make his bed with the Khmer Rouge and their sponsors in Beijing, but the United States need not.

Communists and royalists are frequently at odds, but they have one thing in common: an antipathy to democratic institutions. In Cambodia the forces of political elitism have formed an unholy alliance that should not be sanctioned. Instead of giving our stamp of approval, we should wash our hands of the sordid alliance and stand for our principles, not someone else's expediency.

Whether the Khmer Rouge is using Prince Sihanouk as a stepping stone to power or vice versa is not the issue. The United States cannot pursue policies that violate basic moral precepts. With

explicable reluctance, the State Department acknowledges that genocide occurred in Cambodia. But this acknowledgment lacks conviction because our policies contradict it.

Pol Pot should be tried as one of the great criminals of the 20th century, not countenanced as the eminence grise behind a new Cambodian government. The Khmer Rouge should be disarmed and universally discredited, not allowed to wreak havoc again in a once gentle land.

Rather than sanctioning a four-party government in Phnom Penh, the United States ought to employ whatever reservoir of goodwill we have at the United Nations to demand the deployment of an international peacekeeping force. The force would be mandated not just to oversee Vietnam's withdrawal but to make possible the holding of credible, democratic elections. Most important, the force would serve as a counterweight to Khmer Rouge militarism and would put a brake on Prince Sihanouk's pathetic fronting for the Khmer Rouge.

Mass murderers must understand that there is a day of reckoning. Whether the crime is committed behind barbed wire at Auschwitz or in the killing fields of Southeast Asia, justice must be pursued. Unfortunately, there is no sitting international criminal court. The World Court exclusively adjudicates disputes between states.

The United States should demand the establishment of an international tribunal, modeled on Nuremberg, to hold international criminals accountable for their crimes, from terrorism, genocide and torture to narcotics trafficking and attacks against diplomats.

Pol Pot should be its first defendant.

The New York Times.

Congress Doesn't Love the IMF and the World Bank

By Hobart Rowen

WASHINGTON — "When I go into McGonigle's Bar in Brooklyn," says Representative Charles Schumer, a New York Democrat, "no one says to me, 'Hey, Chuck, how's the funding for the International Monetary Fund going?'"

That is the way Mr. Schumer, one of the more internationally minded congressmen of either party, tries to convey the fact that on Capitol Hill there is no love lost on the IMF. The agency faces an uphill battle, with the outcome uncertain, when the question of providing it additional resources over the next five years eventually comes to a vote.

Even those inclined to be friendly to the IMF and the World Bank won't be happy to see an appropriation issue facing them in this session or in 1990. For one thing, most members of Congress are annoyed that the World Bank had to be dragged kicking and screaming into the age of environmental controls.

Yet another element in the distaste for a Democratic-controlled Congress for the IMF and the World Bank is that recent Republican administrations, after concluding in-

ternational agreements, made only a lukewarm effort to keep their party members in line. That leaves it to Democrats, especially liberal Democrats, to fight for the money.

The last thing that Congress wants to contemplate, in the wake of a \$20 billion bailout this year of the S&Ls, is more money for the IMF, which most members rightly or wrongly see as a government bailout of commercial banks that got in over their heads in Third World lending.

The bailout analogy is not exact, but it is not entirely fanciful. Even a Washington-based think tank friendly to the IMF, the Overseas Development Council, raised the question in a special report that called for a 50 percent boost in IMF resources. It admitted that as part of the new Brady debt strategy, some of the risks now held by commercial banks will be transferred to the IMF or the World Bank, if the banks don't reduce their loans sufficiently. The creditworthiness of the two institutions might then come into question.

Representative Jim Leach, an Iowa Republican, says in an interview that Congress has not only been stung by the costly S&L bailout, but knows that there are hundreds of billions of dollars in contingent liabilities in other U.S. government-sponsored enterprises — especially those that underwrite home mortgages.

There is the perception that public monies are replacing private liabilities across the spectrum, and that makes the climate more difficult than at other times," Mr. Leach says.

So far, the Bush administration has been holding back its support for the nearly universal feeding among the 152 nations in the IMF that its capital should be boosted by at least half, to meet the growing needs for international finance in the 1990s.

There is a contradiction in the Bush administration's attitude. The administration has generated, through Treasury Secretary Nicholas Brady, the Third World debt relief plan that requires the IMF and the World Bank to guarantee the "good" portion of commercial bank loans, after the "bad" part has been forgiven or reduced.

That requires a lot of money. So will help to Poland, Hungary and other East European countries, if the Western countries intend to put money where their mouths are in the matter of weaning Communist states into the free market fold.

So how can the United States be asking the IMF and the World Bank to be catalysts in this effort, but be niggardly in providing the money — especially when most other countries — Britain and Saudi Arabia are exceptions — are gunning to do it?

Mr. Schumer gave part of the answer. The people in McGonigle's Bar have never heard of the IMF, and if they had they would probably be against it. Members of Congress are pressured to help with roads and jobs in their home districts. Those who feel that America is already committed too heavily to solving world problems tend to lump IMF and World Bank authorizations with "foreign aid." This becomes a pejorative label, whether there is a budget impact or not.

From the Bush administration's perspective, it would rather go slow on the IMF issue. It knows that some time next year it will have to ask for an appropriation for the World Bank's new three-year program of grants for the poorest of the poor, managed by the International Development Association. And IDA appropriations, although smaller than IMF quota deposits, do show up in the budget.

There is a need for a combination of public and private monies over the next couple of decades to restore growth in Latin America and to jump-start Eastern Europe. As Mr. Leach points out, the prudent way to do it is through the international institutions. That method spreads the burden among many countries.

The rest of the world regards the Latin debt as uniquely a U.S. problem. But Japan has already provided \$2 billion for Mexico alone, as part of the Bank/IMF debt strategy.

The Washington Post.

Thinking About Thinkers in Space

By Flora Lewis

PARIS — When the mail brought a big package about the Search for Extra-Terrestrial Intelligence, or SETI, my knee-jerk reaction was that first we need to find more terrestrial intelligence.

But it's an interesting idea, particularly now that there seems to be a philosophy vacuum and a disenchantment with science for being so technical and materialistic, despite its awesome achievements.

The debate set off by Francis Fukuyama has reached Europe. He foresees "the end of history" and communities of boredom because the great crusade against communism is coming to an end and losing its capacity to mobilize emotions.

Neither the revival of religions nor nationalism is broad and stirring enough, in his view, to spur vitally hostile juries into thinkers around the world.

Of course, he stirred a good deal of ridicule. Yet he has highlighted a lack of focus in political thought now that most agree it is better to be practical than preachy. Freedom is only an exciting, galvanizing idea when you don't have it or you feel it threatened.

There is a felt human need for a sense of higher purpose beyond satisfying everyday wants, a goal that can be shared with other individuals and with the future. To my mind, there is no shortage in this cankerous and destructive world. But the SETI people do offer another, possibly encouraging place to look, and they provoke reflections on those who fear they are running out of transcendence causes.

The SETI Institute is a California-based nonprofit research organization. The work is funded by the National Aeronautics and Space

Administration and various universities and academics.

It is headed by Frank D. Drake, an astronomer with a firm scientific background, and the projects are as rigorous as they come. "It has no connection with UFOs and other non-scientific nonsense; such things make us shudder," he writes.

Astronomers say that "ten billion potential life sites in the galaxy is a reasonable estimate." The distances make effective investigations impossible. But since the laws of physics are the same everywhere, if there is a civilization somewhere that has mastered electromagnetic communication, it is conceivable we could hear it.

The scientists suppose it would know, as we do, that a certain segment of the microwave band has the best chance of being detected. So they want to search the skies for such a signal. The Pioneer-10 spacecraft, broadcasting from 2.8 billion miles away at the edge of the solar system with a power equal to one-20th of a candle, has been picked up.

Two types of search are under way, a broad survey that may not be sufficiently sensitive, and a more attentive sweep of some 800 solar-type stars out to about 80 light years. There are other projects on the chemicals whose combination could produce life, and no an enzyme so basic that components of its molecular cells may be related to the hypothetical "arkyote," the common ancestor of existing life.

Mr. Drake's argument is a display of quite modern earthling intelligence: that NASA should in-

crease funds for SETI, now about \$1.5 million a year, so that it can use better equipment for an expanded experiment. There is a money side to every cause.

But he bases it on the belief that this could bring "an enlightened understanding of humanity's place and destiny in the universe."

Scientific spin-offs can be expected in developing and using the technology, too, but the great, undeniably gripping question is whether we have fellow intelligent creatures somewhere out there.

If that is ever established, it would certainly change a lot of attitudes, and possibly bring some good advice on dealing with our problems. Ronald Reagan joked with Mikhail Gorbachev that we would drop our arguments and get together on earth if we had to face a Martian invasion. It is so human to be xenophobic, to imagine that "the other" must be dangerous.

And it is human to think that intelligence elsewhere will have gone through the same stages of decoding nature that we have and could use it to communicate, although perhaps not through the same physical evolution.

For some reason, we picture "them" as bug-eyed creatures with awkward-shaped heads — but still two arms, two legs, recognizable. And it is essentially human to look for life, to find out if we are alone in the world, although having to admit we are not unique could bring the kind of letdown that Mr. Fukuyama seems to feel.

In any case, it's good to search and to think about our reasons for it. Intelligence is far from exhausting its capabilities.

The New York Times.

What Kind Of Europe Will It Be?

By Jim Hoagland

PARIS — The European Community's drive for full integration in 1992 is already changing the course of events in Europe. While Americans see a united Europe as a theoretical question that they can think about tomorrow, Europeans on both sides of the Iron Curtain are adjusting today to the meaning for them of greater unity.

This is apparent in what has just happened in Eastern Europe and the Soviet Union, and in what is about to happen in Western Europe. Inside the EC, the season of skirmishing over the 1992 project has ended and serious battles over whose concept of Europe will prevail now begin.

The dramatic summer of change in Poland and Hungary has shown how analysts overestimated East European fears of the Soviets while underestimating fears in Budapest, Warsaw and even Moscow of a united Europe shutting out the economically desperate nations behind the Iron Curtain.

The Community's effort to enact laws that lift all internal barriers to the movement of goods, labor and capital frequently looks to Americans and many West Europeans like a shattering of crabs on the beach. But from behind the Iron Curtain, Western Europe looks like a train building up steam and pulling out of the station. Hungary covers membership in an expanded EC. The Hungarian leadership is making a desperate lunge for the departing train with its decisions to break Warsaw Pact unity over East German refugees and to establish an authentic multiparty political system. Poland's Communist leaders have also come to accept that the road out of economic disaster passes through Western Europe. Moscow's reaction in both cases is to acquiesce, in part for its own economic reasons.

West of the Iron Curtain, 1992 is moving away from the trade technicians who have been grappling with sectoral issues and into the hands of the political leaders, who confront three grand concepts of what a united Europe should look like.

Margaret Thatcher has put forward Britain's concept with characteristic pungency. An integrated Europe in her view should be a continent-wide consumers' union, with goods and services flowing unhindered across national frontiers to grateful shoppers. Mrs. Thatcher's Europe would be a kind of giant Heathrow duty-free lounge. There would be no political institutions to hamper Britain's special relationship with the United States, and no Europe-wide laws would force her to cede an ounce of authority back to British trade unions.

The French, as could be expected, see it differently. They want a political and administrative Europe that directs economic change into socially beneficial channels. Europe would be a large bloc, with a French principal setting rules to keep West Germany's overwhelming economic power from translating into overwhelming military or political power. A political Europe with a commitment to joint defense policies is for Paris the best instrument for containing German nationalism.

Bonn's position on 1992 is more difficult to read, partly because the coalition government is divided and prefers to put off choices. But the common denominator is a desire for a "functional" Europe. Issues would be decided one by one and not settled by all-encompassing architecture such as the French and British are proposing.

The functional approach maximizes West Germany's economic power. It creates a series of arm-wrestling contests that Bonn would easily win. Bonn wants an industrialist's Europe, with decisions made for the good of the factory and the production line. Added to this is a desire to keep political questions open while the issue of German reunification remains open.

U.S. policymakers seem to back the Thatcher approach. Her vision allows for the greatest circulation of American goods and services in a community of consumers. There would presumably be the least amount of transatlantic trade friction if she prevailed.

But there is a serious flaw in the Thatcher approach, which was set in concrete before Poland and Hungary moved toward democracy and before negotiations on conventional disarmament in Europe began in earnest. By ruling out a political Europe, Mrs. Thatcher forfeits a great deal of Britain's influence on the German question. Britain also will have less to say about the political context of European disarmament if it stays with the Heathrow duty-free lounge approach.

Mrs. Thatcher should be inside the tent, fighting to marry the good points of the three approaches, rather than outside pointing scorn on everyone else.

The Washington Post.

100, 75 AND 50 YEARS AGO

1889: Aerial Photography

PARIS — The carrier pigeon has just been turned to curious use in Russia, according to the *Novoye Vremya*. It is to convey negatives of photographs taken in a balloon. The first experiment was made from the cupola of the Cathedral of Isaac, and the subject photographed was the Winter Palace. The plates were packed in envelopes impenetrable to the light and then tied to the feet of the pigeons.

1914: Italy and the War

PARIS — "Long live the Trentino and Trieste reunited with Italy!" "Long live Alsace-Lorraine reunited with France!" With such cries did a representative body of the Italian colony in Paris applaud yesterday [Sept. 27] a speech by Signor Ruggieri, secretary of the Franco-Italian League, advocating Italian intervention in the present conflict. "Italy," he said, will fall in her duty as a Latin nation and as a civilized nation, she will commit

suicide, if she remains neutral until the end of the war." Dr. Guelphi, who presided, also demanded Italy's immediate intervention.

1939: Warsaw in Ruins

WARSAW — Yesterday [Sept. 27] on the twenty-seventh day of the German invasion of Poland, Warsaw was in ruins. The Polish Army was still able to bar German forces from the city gates but they could not deter the civilians from the horrors of thousands of men, women and children who had been killed on the previous day could not be moved from the streets and crumbling houses. Nine hospitals full of wounded were destroyed. The water and electricity supply was cut off. Under these conditions the commander of the urban militia asked the German commander for a twenty-four-hour armistice. It was obvious that the city would have to be surrendered if the life of one person was to be saved.

JPK 101 50

OPINION

Nostalgia, Pouting Revolt
And Lots of Noisy Flashing

By George F. Will

WASHINGTON—In blasting overdrive, Mick Jagger looks alarmingly invertebrate, like an eel being electrocuted. William James wrote about a man who could read while remarkable than Mr. Jagger singing while hunched himself around a huge stage in the rain. His "Sympathy for the Devil" begins:

Please allow me to introduce myself,
I'm a man of wealth and taste.

Mr. Jagger has acquired vast wealth and is an acquired taste, one acquired by several generations.

His time spent at the London School of Economics honed his business instincts, which are considerable, as a record-industry executive states. "In his head he figured out when the French royalty would be on a record, doing the conversion and taking off the VAT tax."

The addictive hold of rock music's hypnotic pleasures on those who grow up with it has caused rock to be called the perfect capitalist product: It intensifies demand by the process of serving it. And it is increasingly the vernacular of delectably verbal people.

Poetry has been defined as music subdued and transformed by reason. Mr. Jagger, a Byronic figure for generations unacquainted in poetry, excited young people 25 years ago as someone mad, bad and dangerous to know. Today he and three of the other four Stones are older than Dan Quayle and by now they are evidence of our commercial civilization's power to tame radical forces, turning them into consumer goods.

A rock critic has said that rock-and-roll produced "an unprecedented contradiction in terms, mass Bohemianism." Mass means middle-class. Middle-class Bohemianism of the 1960s, like the associated political radicalism, was recreational. Since the mid-1950s, rock music has been the signature of the baby boomers. They comprise a generation large enough and with enough leisure time and discretionary wealth to be a market for its own expressive culture.

In the fall of 1954, Davy Crockett coonskin caps became one of the early manifestations of baby boomers as a mass market. The Stones are the boomers' longest-lived cultural artifact. But they had, as it were, some memorable opening acts: Elvis Presley, James Dean, Holden Caulfield.

Mr. Presley, who exploded rock into the lives of white middle-class adolescents, saw the movie "Rebel Without a Cause" (1955) over and over, and could recite most of the lines of James Dean.

Mr. Dean was the prototype of the mildly, vaguely alienated middle-class youth whose self-dramatization was problematic because all he had to feel alienated from was his parents.

A rock historian has formulated "Little Richard's First Law of Youth Culture": Please kids by horrifying parents. In 1956, on "The Ed Sullivan Show," the cameras were focused "classically" above

Mr. Presley's pelvis. On the same show 11 years later, Mr. Jagger avoided network censorship by mumbling the title line of the song "Let's Spend the Night Together." Here, dear parents, comes your 19th nervous breakdown.

Mr. Jagger was adolescent insouciance with a dash of menace, an electrified, amplified Marlon Brando from "The Wild One" (1954). The Stones were packaged and marketed as the wicked siblings of those four winsome mopheads (as they then seemed, thanks to good marketing): Paul, John, George and Ringo. The Stones' album "Let It Be" was a riposte to the Beatles' cloyingly wistful "Let It Be."

It has been well said that rock "turns revolt into a style," making revolt insubstantial and unexciting. But there are those who take it seriously, even some who are deranged as the pose takes over their personalities.

The first clear sign of the baby boomers' distinctive self-awareness was the huge audience for (how anachronistic this now seems) a book. It was J. D. Salinger's "The Catcher in the Rye," the protagonist of which, Holden Caulfield, was a nonstop pouter defined by his comprehensive dislike of adults. The young man (born in 1953) who in 1980 shot the middle-aged John Lennon was clutching a gun—and a copy of "The Catcher in the Rye" (1951).

Rock is the trigger and substance of the nostalgia of people who came of age with it. And this nostalgia is narcissism, fascination with episodes (songs, bands, "Woodstock Nation") that are important only because those people and those episodes were contemporaries.

The thinker was right who said that such nostalgia is modern man's worship of himself through veneration of things associated with his development.

Not much development. Less and less. A Bruce Springsteen concert, say, is a literature seminar compared to a Stones concert. The Stones are nothing if not shrewd, and they obviously know how hard it is for even music, even rock music, to hold the light, thin, attenuated attentions of their audiences (which, judging by the Washington concerts, have an average age of thirty-something). So the deafening music is—what shall we say? "leavened"—leavened by explosions, flashing lights, clouds of smoke, inflated women 55 feet tall.

It is a sensory blitzkrieg: "I am bombarded, therefore I am." It is infantile pre-(post?)-verbal stimulation.

But the Stones, binding the generations, linger in the air, incense in the children's private church. It is an interesting experience driving down broad suburban streets, listening to two 8-year-old girls in the back seat singing along with the radio—it is tuned to a "classic rock" station—their clear, bird-like voices, as sweet as swallows, singing, "I can't get no satisfaction."

Washington Post Writers Group.



LETTERS TO THE EDITOR

Let the Soviet Empire Fall

Regarding "Don't Cheer the Fall of the Soviet Empire" (Opinion, Sept. 13):

For much of their history the Baltic states have been controlled by other powers, including Sweden (the golden age) and then Russia (the dark age) and finally the Communists (the age of terror). But between the world wars the Baltic states enjoyed a period of freedom, prosperity and high culture. Longings to return to those conditions are hardly the "forces of chaos and disintegration" described by the author. The peoples of the Soviet-occupied countries want the freedoms that they enjoyed before the arrival of the Communists.

LOUISA K. STEINS,
Rome.

Dissertations on the Bard

Regarding "To Perish May Be More Honorable" (Meanwhile, Sept. 20) by Michael Shenfeld:

Mr. Shenfeld deplores the fact that 500 articles were published on Shakespeare last year. To him, all of them—and the thousands of others published on other writers—are deplorable trash motivated by venal impulses, or, as he quaintly puts it, "humbug."

But 500 articles on Shakespeare in one year means that 500 people, and their students, and perhaps even their families and friends, were intensely concerned with Shakespeare that year. That represents a cultural situation that is 500 times better than just a single article had been published on Shakespeare.

Scholarly publication, whatever other purpose it serves, represents a form of cultural conversation that ought to include as many voices as possible.

Socrates indeed "never published a word," as Mr. Shenfeld says; but if Plato hadn't been around, nobody would have heard of him.

GEOFFREY GALT HARPHAM,
Cambridge, England.

In recent years, my field of literary studies has produced scholarly publications that are not only intellectually exciting but also liberating. The canon of works considered worthy of analysis has been challenged; new theories questioning our very understanding of how language works have been proposed; critical essays of artistic merit have been written.

Mr. Shenfeld's article is more than misinformed and mis-spirited. When I write academic articles I mean for them to be read. When I serve on hiring committees I read the applicant's articles for myself. When I review articles for scholarly journals I seek originality. Mr. Shenfeld's final suggestion, that real teachers "simply take no interest in scholarly publications," implies that my dedication to research and writing makes me that much less a teacher. I resent his impugning of my integrity and that of my profession.

CHERYL B. TORSNEY,
Utrecht, Netherlands.

But Spain's Economy Grew

Regarding "A Polish Recovery Could Benefit All Europeans" (Aug. 23):

Zbigniew Brzezinski writes in this opinion column: "In some ways, Poland is at a stage comparable to that of Franco's Spain in the late 1960s. The Spanish economy was badly underdeveloped."

However, in his recently published book "The Grand Failure" Mr. Brzezinski provides statistics on the economic performances of Poland and Spain that contradict this view. According to his

figures, both countries started at similar levels of development in 1960, and by 1975 (the year of Franco's death) Spain had an enormous advance over Poland.

In fact, Spain's economic growth during the 1960s was phenomenal, and one of the reasons why Franco's succession was easy. Present-day conditions in Poland look rather different, in that as in other respects.

SANTIAGO DE MORA-FIGUEROA,
Marques de Tamarón,
Madrid.

Environmental Myopia

In response to "Japan Bows to Pressure on Drift-Net Fishing Fleet" and "Executive Barbs Reflect U.S.-Japanese Tension" (both published on Sept. 20):

The Japanese rightly pride themselves on their ability to develop the long-term potential of a consumer market. In contrast, their approach to environmental issues, especially to whaling and drift netting, has largely been characterized by short-term greed and domestic political expediency.

TIMOTHY DEVINNEY,
Athens.

Nature Beyond the Wild

In "The Final Call of the Wild — on Tape" (Opinion, Sept. 16) Ellen Goodman writes of "watching nature on television" and laments that there is hardly a place left on earth "where humans are a part of nature rather than its masters and manipulators." Although it is not commonly believed, television, New York City and Ms. Goodman herself are part of nature. And, though we might disappear, nature never will.

JON FERGUSON,
Lausanne, Switzerland.

Don't Be Loud, She Said,
But Father Was Skeptical

By Robert B. Goldmann

PARIS — When I went to grade school in Germany in the early '30s and got a particularly good mark on a composition or report card, my mother would take me to a café for a rich pastry and a hot chocolate as a reward. This never failed to delight me, and I would show my happiness. "Fast," my mother would say, "don't be so loud—it makes more anti-Semitism." This was a customary response of German Jews, even before Hitler had seized power.

My father was an exception. He was skeptical of the assimilation that Ger-

man Jews felt they had achieved by "not being too loud." He differed with my mother and with her father, who ridiculed him. We were all Germans, my grandfather used to say, and nothing terrible would or could happen in this Reichstadt, a nation governed by law.

This was almost 60 years ago. The memories have come back to me time and again in these six decades—sometimes in the form of *plus ça change, plus c'est la même chose*, sometimes as a tragic contrast to Jewish pride and self-assertion since the Holocaust and the creation of the state of Israel.

Today, when Jews (and non-Jews) speak of "higher expectations" from Jews and Israel, they remind me of my mother's words, and of the Jews who said (and still say) that "we must do better than others" and behave impeccably if we are to be accepted and succeed.

When Jews react viscerally and vociferously to anti-Semitic words, such as we have heard in France from Jean-Marie Le Pen and his National Party, or to actions, like the desecration of cemeteries or synagogues, they remind me of my father. The same is true when they defend Israel. My father had become an observant Jew and Zionist in the early '30s, as a direct result of harassment by Nazis. (He was the doctor in our small town, and that made him prominent and an obvious target for a small but feared group of Nazi troublemakers.)

But I also hear the voices of my mother and of my grandfather, the "practical" side of the family. They could not quite believe that my father had become religious, and they called him a *Fantast*, a foolish dreamer, when he spoke of Palestine and Zionism.

In the dispute over the Auschwitz convent, I again have heard the echoes of my parents. My clippings over the past several weeks fill two file folders. There are Jews who say that the demand that the Carmelite sisters move their site of prayer away from the death camp is excessive, and may increase anti-Semitism. This is the voice of my mother.

And then there are Jews for whom Auschwitz—whatever the varied ethnic and religious backgrounds of those who died there—is and will always be the symbol of the Jewish genocide, a sacred

place and hallowed ground. They feel about Auschwitz as Christians do about the sites of Christian martyrdom. These Jews feel about a convent in Auschwitz, and a huge cross in front of it, as Christians might feel if a group of religious Jews tried (bizarre thought!) to establish a yeshiva at Lourdes. These Jews remind me of my father.

The Auschwitz controversy has made the events that marked my youth particularly poignant. Thus, Cardinal Albert Decourtray of Lyon represents the humanitarian tradition of the Catholic Church. My father had tears in his eyes when he spoke of the courage of individual Catholic prelates or Protestant churchmen who raised their voices against Nazism, risking everything by placing morality ahead of pragmatism.

And during the long silence of Pope John Paul II—finally broken last week after the difficult post-Vatican II effort to knit a healthier fabric of Catholic-Jewish relations seemed about to be torn to shreds over Auschwitz—I could hear my father say, "It doesn't surprise me."

That was his customary comment about silence from sources of moral authority in the face of injustice or unfairness.

When I read what Cardinal Jozef Glemp, the Polish primate, said about Jews "raising themselves above others," I hear my mother saying: "Why do Jews have to be prominent and always written about in the papers? It just makes people more anti-Semitic." Had she read the cardinal's comment the other day that "the Jews in London were really polite and nice," Mother would have said: "You see, I am right."

Might it be that my mother and father were both right? That for Jews to protest "just makes for more anti-Semitism," and that there is "nothing surprising" about silence from the seats of power?

Today, most Jews, or at least most of those particularly involved with the issues of the day, share my father's visceral responses. He was a *Fantast* to his fellow German Jews of the '30s. These days those like him are the leaders of Jewish communities. This attitude, forged after the Shoah and buttressed by the creation of a strong state of Israel, cannot work miracles. But it does equip Jews psychologically to defend their interests far better than they could when I was a teenager. And that makes all the difference.

The writer is director of the office of the Anti-Defamation League of B'nai B'rith in Paris. He contributed this column to the International Herald Tribune.

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SCIENCE

Computer Edges Closer to Checkmate

By Robert Byrne
New York Times Service

NEW YORK — The time when a computer wrests the world chess championship from a human being may be approaching.

Last year, Deep Thought, which won the world computer chess championship in May, defeated a grandmaster, Bent Larsen of Denmark, who is ranked 96th among all chess players in the world. And just recently, this same computer program defeated another grandmaster — the chess columnist of The New York Times, me.

Deep Thought, developed by researchers at Carnegie-Mellon Uni-

versity in Pittsburgh, beat Mr. Larsen in the Software Toolworks Open Tournament in Long Beach, California, a competition featuring several prominent grandmasters.

Though it lost its only other game with a grandmaster, Deep Thought went on to tie for first place in the event, the first time a computer had shared the top prize in a mixed field of humans and machines.

Deep Thought combines enormous speed and computational power with sophisticated analysis, self developed by computer, of the relative values of the chess pieces depending where they are

and what stage the game has reached.

The computer has also been trained to judge the relative merits of differing lines of attack. Last fall Hitech, another program developed at Carnegie-Mellon, defeated the 74-year-old grandmaster Arnold Denker in a match. But Mr. Larsen, a regular championship contender in the 1960s and 1970s, is still playing near his top strength.

He has a rating of 2,580 from the International Chess Federation, whose ratings are computed by weighting tournament results by the strength of their participants. Mr. Denker's rating is 2,295 and mine is 2,465; the world champion, Gary Kasparov of the Soviet Union, has a rating of 2,775, 5 points below the all-time high, Bobby Fischer's last rating of 2,780.

Deep Thought was constructed by five graduate students in the Computer Science Department of Carnegie-Mellon who often play against one of the best commercial chess programs, Mephisto. They win some and lose some against Mephisto, but they are unable to give their own creation any kind of opposition at all.

Deep Thought calculates incomparably faster than any human, speeding along to view 720,000 possible arrays of chess pieces on a board every second. The keys to its speed are two custom processors, each with a very large integrated chip. The chip was invented by Feng-Hsiung Hsu of Taiwan, who devised it as part of his work toward a doctorate and who also designed the circuit board, which has about 100 other standard chips.

There is nothing special about the host computer, a Sun 4, and Deep Thought can be adapted to run on any powerful work station or computer.

But "brute force" calculation, as computer experts call it, is not Deep Thought's only virtue. It can also evaluate the signal features of

chess positions, like whether pawns are blocked by other pawns. This was the contribution of Andreas Nowatzky of West Germany.

Chess pieces move in different ways and some are more powerful than others. Bishops move only on diagonals; rooks move only horizontally or vertically. The queen, which can move in all directions, is

For the first time, a computer program shared top prize in a mixed field of humans and machines.

the most powerful piece, but the most important is the king. When an opponent's piece threatens to capture the king, the player must move the king, capture the threatening piece or interpose one of his own pieces; if he cannot, he is defeated — checkmate.

In evaluating the individual pieces, introductory chess books rate the pawn at 1, a knight or a bishop at 3½, a rook at 5 and the queen at 9. But a piece may have a radically different value depending on its position relative to other pieces.

For example, a pawn in a phalanx may be stronger; a doubled pawn, one directly behind another, is vulnerable. Other factors include the number of pieces in play and the space your pieces control. Deep Thought continually evaluates these positional values.

Mr. Nowatzky started with rough values worked out by chess experts, but only after they had been improved by the intuitive adjustment of the best chess player of the five — Dr. Murray Campbell of Canada. Mr. Nowatzky applied his tuning process to the positional

values as adjusted by Dr. Campbell to obtain more exact values.

He did this by running 900 games played by grandmasters and the next lower class — international masters — through a computer. By analyzing the play of these experts, the computer figured out the relative value they gave to various pieces in various positions.

In effect, the method made Deep Thought a pupil of some of the best human players in the world.

Mr. Nowatzky produced a matrix of nearly 100 evaluations of chess pieces and positions. For example, a knight out on the board has a value of 6.274, whereas a knight in a corner, with fewer possible moves, has a value of 4.738.

The stage of the game also alters the evaluations. For example, it is foolhardy to bring the king to the center early in the game — it would be like marching naked into enemy camp. But in the endgame, when few pieces remain, the king is generally quite safe and could play an important part in supporting the other pieces.

Deep Thought gives negative values to the king in the center early in the game and positive values later.

Besides Mr. Hsu's chip and Mr. Nowatzky's and Dr. Campbell's creation of the evaluations matrix, Deep Thought employs a process called singular extension to evaluate the vast number of possible moves in a game of chess and determine which are most likely to be successful.

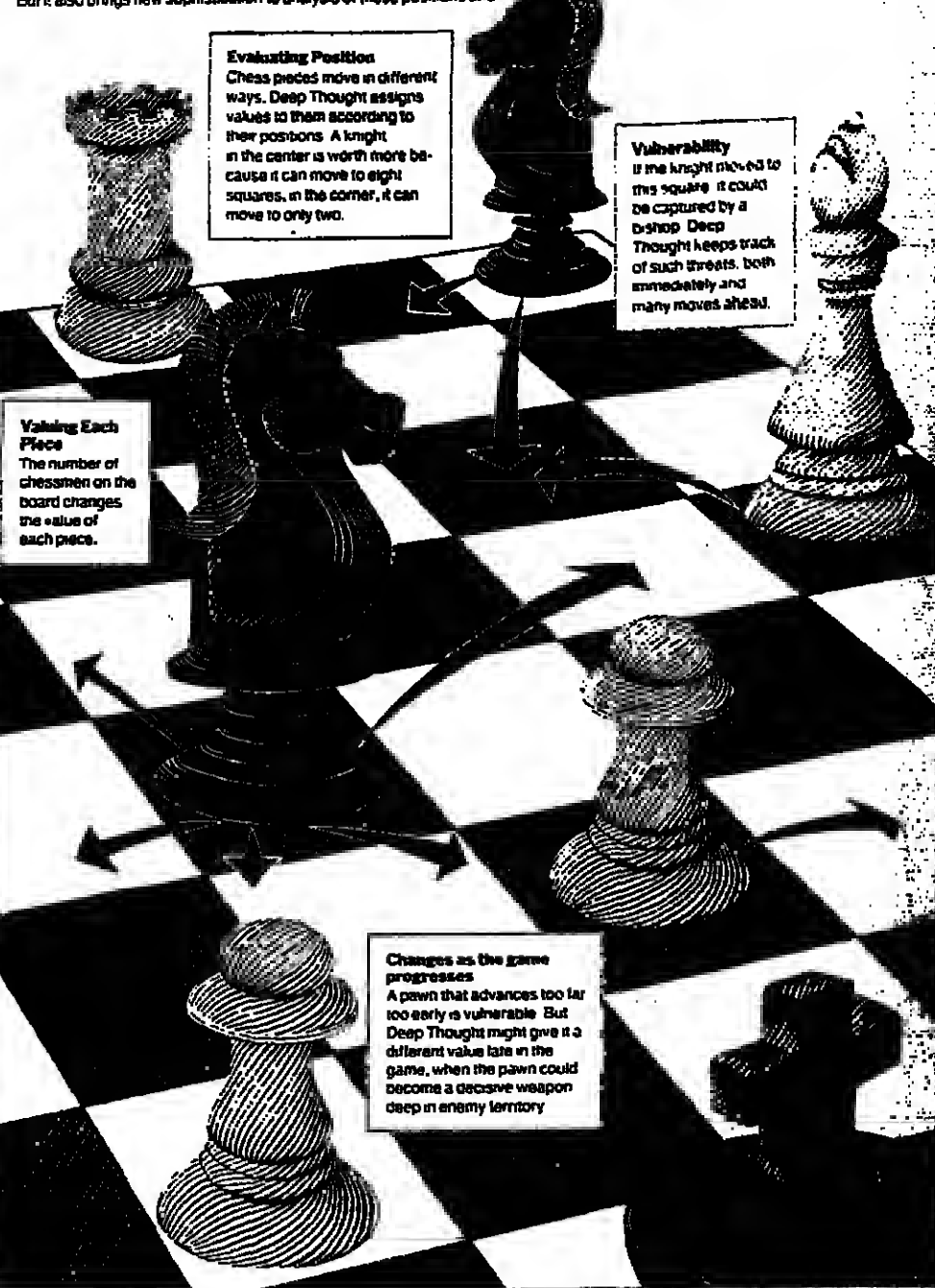
Another team member, Thomas Anantharaman of India, contributed the singular extension work. A fifth team member, Peter Jansen of Belgium, helped Campbell install a data base of endgame analysis. He also assisted with the evaluation function.

These two were also responsible for providing Deep Thought with its opening book, the list of preferences for playing the beginning stage of the game.

Inside the Mind of Deep Thought

The chess program Deep Thought can calculate 720,000 possible arrays. But it also brings new sophistication to analysis of these positions and

of chess pieces a second possible lines of play



From Columns/The New York Times

Saber-Tooth Tigers: Primeval Compassion

By Seth Mydans
New York Times Service

LOS ANGELES — When Fred P. Heald looks into a tray of bits of bone, chocolate brown with the asphalt that has permeated them for tens of thousands of years, he sees packs of saber-toothed cats on the prowl in a violent world but relating to one another with remarkable benevolence.

In the necks and chips and odd worn patches of the bones he reads the record of terrible injuries and chronic ailments borne over months and years of pain during which the animals could not possibly have hunted for themselves. They could survive, Dr. Heald believes, only through the generosity of their fellows.

Studying bones and bone fragments at the George C. Page Museum, where excavation continues at the La Brea tar pits, Dr. Heald, a retired physician, and Christopher A. Shaw, the museum's director of collections, have pieced together the most complete picture to date of the life of the saber-toothed cat. The researchers are working with the world's largest collection of remains of saber-toothed cats, preserved since the ice age in underground lakes of asphalt that continue to bubble up from beneath the paved streets of the La Brea area of downtown Los Angeles.

Their findings support a general theory of the life of the saber-tooth as a social animal that hunted in packs, like today's lions. Had the saber-tooth been a lone hunter, it could not have survived for long the disabling injuries that left their traces on the La Brea bones. In talking about the cat — in this part of the country the Smilodon californicus — the researchers also challenge a view that it used its saber teeth to stab, arguing instead that it killed by ripping out huge hunks of flesh that created fatal wounds.

The evidence for their theories is contained in what Mr. Shaw calls a library of bones, acres of carefully sorted trays that include, among those of other prehistoric animals, 300,000 to 400,000 Smilodon bones, of which about 5,000 with some form of pathology were studied. The bones of the extinct saber-tooth, dating from 10,000 to 40,000 years ago, represent 1,100 to 2,200 animals that were among the many thousands who became trapped and perished in the pits of sticky asphalt on the coastal plain here.

"As I stared into the bones, I began, shall we say, to mentally put the saber-tooth cat back together, to put its muscles back on it," Dr. Heald said. "I sort of built a picture out of all these bones, wondering where all of this was going, and all of a sudden when we began to run statistical pages injury by injury, it began to come together."

What he and Mr. Shaw began to discover in the bones was a frighteningly violent animal world filled with chronic suffering but marked by signs of a primeval compassion. "Some of the injuries were really terrible, and you have to wonder how the animal survived," Dr. Heald said. The injuries included broken legs, dislocated hips, bone infections called osteomyelitis, severe back injuries and chronic arthritic conditions.

"But it did survive," he said. "Its wounds healed. Someone had to allow it to eat, to take care of it, if you will."

The researchers' theory is that after suffering an injury — sometimes inflicted by members of the pack as they snarled over portions of their kill — a disabled cat was allowed to limp after its fellows as they hunted and to feed on scraps once they were satiated. "That's how they lived on," Dr. Heald said, "eventually to be trapped and die in the asphalt."

The injuries the saber-toothed cats brought with them to the tar pits are clear indicators to Dr. Heald of their style of hunting and the violence of their attack. In chronic injuries to the bones of the chest and spine and in worn and broken ribs and injured sternums, Dr. Heald found evidence of powerful forces that indicated the violence of a short, headlong, lunging attack. In the bony wounds on the shoulders and upper back, he found the signs of violent squabbles, like those of lions today over the fresh kill.

Unusual Weapon for Fighting Cancer

By Elisabeth Rosenthal
New York Times Service

WHERE chemotherapy and surgery have failed, doctors are increasingly turning to an unusual weapon in the treatment of cancer: red light.

In a technique called photodynamic therapy (PDT), patients are given intravenous injections of a chemical that accumulates in cancer cells and becomes lethal to the cells when activated by light. The physicians then bathe the tumor in red rays and watch, over a period of days, as the cancer melts away, leaving most normal tissue unharmed.

The therapy is being used experimentally against cancers of the esophagus, lung and bladder in an effort to compare its effectiveness against conventional treatments.

These tumors can often be readily reached by a light source, even if the light must be inserted through the mouth or urethra, the tiny tube through which the bladder empties. About 3,000 patients worldwide have been treated with this therapy, said Dr. Stuart L. Marcus, deputy director of oncology clinical research at American Cyanamid's Lederle Laboratories, the company that makes the light-sensitive chemical.

The therapy "represents a major advance, and it has very few side effects," says Dr. Joseph J. Pietrafitta, a surgeon at the Boston University School of Medicine. He is using it to treat cancer of the esophagus, the tube that connects the mouth to the stomach.

For this cancer, "it is almost idiot proof," he said. "You almost light source in the esophagus close to the tumor and leave it there for 20 minutes and it'll work. The patient doesn't feel anything. One week later you look down there and you see dead tumor cells."

Although cure of this cancer is unlikely by any method, photodynamic therapy effectively clears out

the tumor mass that may prevent a patient from eating.

The major limitation of the technique is that it cannot yet be used to treat most tumors, which are deep and bulky and cannot be reached by light.

People who are too old or too frail to tolerate the stress of major surgery may be helped by the photodynamic therapy, which often requires just local anesthesia and does not necessitate hospital admission.

It has long been known that cer-

Patients are given intravenous injections of a chemical that accumulates in cancer cells and becomes lethal to the cells when activated by light.

tain chemicals can be activated by light, said Dr. Thomas Dougherty of Roswell Park Memorial Institute in Buffalo, whose research in the field over two decades laid the foundation for the therapy.

As early as 1900, scientists realized that paramagnetic exposed to certain dyes would be killed if they were also exposed to light. Many of these compounds come from a family of chemicals called porphyrins.

More than half a century later, scientists at the Mayo Clinic in Rochester, Minnesota, became interested in the same molecules when they found that these porphyrins accumulate in cancer cells. The researchers hoped to use porphyrins — which can emit the light they absorb as a fluorescent glow — for early tumor detection.

A derivative of the porphyrin preparation used at the Mayo Clinic for tumor location, is used today in all photodynamic therapy and is the only photodynamic therapy approved by the U.S. Food and Drug Administration for human use.

loin will burst while the clear outer balloon is unscathed.

In the same way, when light is aimed at a bladder or esophagus during therapy, "the light will pass right through normal cells and not be absorbed by them," Dr. Pietrafitta said. In tissue with some normal and some tumor cells, only the tumor cells will die, he said. This allows surgeons to neatly destroy cancer that is infiltrating under healthy tissue.

In traditional treatment for advanced cancer of the esophagus, the surgeon chips away at visible tumor using a heat laser scalpel. "Our hope is that photodynamic therapy will be much more effective than traditional surgery because it will get the microscopic disease, the cancer cells that the surgeon can't see," he said.

How photodynamic therapy actually kills the tumor cells remains obscure. The light seems to create a toxic particle called a singlet oxygen. Since even red light only penetrates tissues to depths to slightly less than half an inch, tumors have to be close to a surface accessible to light to be treated, Dr. Dougherty said.

Initially, this seriously limited the utility of the technique. But the development of sophisticated fiberoptic endoscopes in the last decade has opened new doors. These thin tubes, which conduct light with great efficiency, can be inserted through a nose, mouth or urethra to illuminate some of the body's darker hollows.

"Fiberoptic endoscopy has made this a clinically useful tool," says Dr. Harvey Pass, head of the Thoracic Oncology Section of the National Cancer Institute. "Before fiberoptic endoscopy, researchers in PDT were using X-ray boxes or Kodak projectors with red filters. Now we can insert a bronchoscope under topical anesthesia and deliver light further and better than ever before."

Doctors at the National Cancer Institute are experimenting with introducing light into patients' abdominal cavities during surgery for ovarian cancer and certain other malignancies.

First, all visible tumor is removed by a surgeon. Then the organs are moved to expose as much tissue as possible, and laser light is projected into the body for two hours.

"The idea is to use photodynamic therapy to kind of mop up any residual disease," says Dr. Thomas DeLaney, an NCI radiologist. DeLaney and a surgeon, Dr. William Sindelar, have treated 30 patients with this technique.

The procedure may be particularly useful in treatment of ovarian cancer. At the time of diagnosis,

most ovarian cancer patients have hundreds of tumor studs scattered throughout the abdomen, many of them microscopic. This makes a cure with simple surgery unlikely, leading to that cancer's dismal 10-15 percent cure rate, Dr. DeLaney said.

Dr. Pass said that, when a bladder or belly is filled with diffusion medium, "you create a giant light bulb made of the medium." He added, "You can then introduce light into the cavity and it will propagate evenly to all those irregular facets that a fiberoptic scope might not reach."

Physicians say that the light therapy is painless, but does cause one unpleasant side effect: Although DHE is partial to tumors, it can also temporarily accumulate in skin. This leaves patients susceptible to serious sunburns and skin cell death with even slight sun exposure for four to eight weeks after treatment. Natural sun light contains rays that activate DHE.

"The future of PDT will depend on the development of longer wavelength photosensitizers," Dr. Pass said. And since longer wavelength light penetrates tissue better, it may permit treatment of deeper tumors.

Scientists are also searching for compounds that do not settle in the skin. Several promising candidates, now being tested in humans in Europe, are under review at the National Cancer Institute.

"When I first heard about photodynamic therapy it sounded like Buck Rogers stuff to me," said Dr. Marcus of Lederle. "Then I saw people who were too sick for normal treatment being helped, and I was changed from a skeptic to a zealot."

IN BRIEF

U.S.-Soviet Science Magazine Set

WASHINGTON (UPI) — American teachers of science and mathematics are getting help from the Soviet Union to publish an English-language magazine for gifted high school students.

The 48-page magazine Quantum will be based on a Soviet magazine called Kvant, which has been published since 1970 and has a paid circulation of 200,000. Pilot issues of Quantum, to appear in November 1989 and April 1990, will contain translations from the Russian journal of science and math.

The magazine is a venture of the National Science Teachers Association, the American Association of Physics Teachers, the National Council of Teachers of Mathematics and the Soviet Academy of Sciences. The project is supported by a grant from the National Science Foundation. Translations will make up the bulk of Quantum for its first two years. After the first year, the content will be supplemented with articles from American authors, and it is anticipated the U.S. contribution will grow.

New In Vitro Procedure Reported

AMSTERDAM (Reuters) — Dutch researchers believe they have found a way to more than double the success rate for in vitro fertilization by giving women hormones intravenously using a new technique.

The technique consists of introducing hormones at short intervals over 14 days, before the eggs are removed for fertilization, Dr. Frederik Frak said. In vitro fertilization procedure has until now been to inject the ovary-stimulating hormones once a day over a 14-day period.

The new method administers them in pulses every 90 minutes through a tube in the arm connected to a small pump worn around the waist, Dr. Frak said. In a pilot study involving 40 patients, around half became pregnant.

Mosquito War: Appetite Is the Key

MOSCOW, Idaho (AP) — An appetite suppressant for mosquitoes could be an answer to their summertime foraging for human blood, but one challenge still remaining is getting the substance out of the lab and into female mosquitoes.

"Right now, you'd have to inject each mosquito with a little syringe," said a University of Idaho entomologist, Marc Klowden. Female mosquitoes — the ones that do the buzzing and biting — need protein in human and animal blood to produce eggs. Dr. Klowden, in 13 years of study, has found that females stop feeding once they have a belly full of blood. One reason is a hormone produced during the egg-creating process. Dr. Klowden has found that injecting the hormone into female mosquitoes tricks them into thinking they're full. They stop feeding and biting.

Research now is shifting to biotechnology, in search of a gene that causes mosquitoes to create the appetite suppressant hormone, he said. If scientists can find the gene, they might be able to splice it to a virus and create a disease that keeps mosquitoes from eating or reproducing.

ACROSS

1 Muslim title of respect

5 Trade center

8 Door part

13 Duel starter

14 Came up

16 Operatic prince

17 Medical treatment

18 Old Nick

19 Weight allowance

20 Homecoming husband calls

23 Mother of Zeus

24 Standard of perfection

25 Wife answers

30 Icelandic monetary units

31 Brain tests

Abbr.

32 Pac's counterpart

35 Joust

36 Roof surfacing

37 Cleaning tool

38 Pedro or Bernardino

39 She played Hot Lips

41 Deprived

43 Husband acts

45 Set upright

47 Bone

48 Wife replies

49 Baseball stats

50 Nickname for Col Potter of "M*A*S*H"

55 Smidgen

57 Trigonometric function

58 Fla. city

59 The Darlings' amah

60 Long way away

61 Plich

62 Growl

DOWN

1 St. Helen's output

2 Radiate

3 Last night's roast tonight

4 Obvious

5 Rubber

6 P.L.O. leader

7 Newspaper section, for short

8 Peter or Ivan

9 Small bus

10 Capital of Guam

11 Edible mushroom

12 Brother, to Uncle Remus

15 Finale

16 Friends' pronoun

22 Unlucky lime for Caesar

25 Annie Oakleys

Abbr.

26 Operatic highlight

27 Cologne, to Fritz

28 British Prime Minister

1970-74

29 Above, to F. S. Key

32 Mars: Comb. form

33 Bean curd

34 Baltic native

36 Muscular apasm

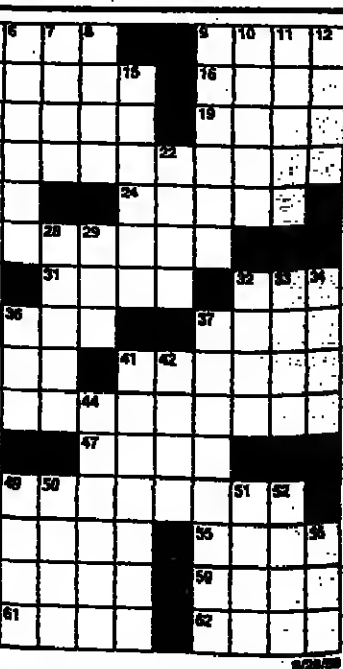
37 Stewing

39 Cobbler's product

40 Having the greatest breadth

41 Caribbean vacation place

56 Brugg's river



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Solution to Previous Puzzle

ALIBI ANEW IRAS
LORAN ROLE SOLA
SAINTLOUISBLUES
ODD EOUS RATES
ENDS TEEN
SANDIEGOPADRES
HADES APED AVA
ACIS SATIE ABET
TRE SONO SCARE
HOUSTONROCKETS
LONE URIS
APPAL STIR SAV
CLEVELANDBROWNS
RARE DRET ERASE
EYED REED DATER

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Nordic Finance

Swedish Banks Court Broader Markets as Capital Barriers Fall

By Nigel Adam

SWEDEN — This year has witnessed the most dramatic episode in Sweden's financial liberalization program. Its banking and capital markets may be among the last in Europe to throw off regulatory shackles, but the speed of events is taking many by surprise.

In February, the central bank announced that it would relax foreign exchange controls, in line with similar moves by European Community countries. From July, it permitted foreign banks to buy domestic Swedish government bonds and international borrowers to issue krona debt. Since then, overseas issues have raised more than 5 billion kronor (\$800 million) in this way.

The removal of these 50-year-old capital barriers follows the virtual disappearance of restrictions on domestic banking activities earlier this decade. In 1986, Sweden finally granted all access to foreign banks after pressure from these institutions and their respective governments for reciprocal rights.

While the banks generally welcome this new freedom, they face ever fiercer competition and the prospect of further consolidation within their ranks. Already, the industry has witnessed the merger of Stockholm Enskilda Bank with Skandinaviska Bank to form Sweden's largest. The savings banks are now undergoing similar rationalization process.

Government officials and bankers alike are increasingly aware that 1992 is just around the corner. Sweden, in common with other non-EC countries, is anxious not to be isolated from the new European Community single market. Indeed, the banking and securities industry in the EC may be among the first to achieve uniform status.

The second banking directive, which would allow institutions licensed in one EC country to practice throughout the Community, looks set to become law a year from now. This means that Swedish banks, among others, have to decide by then whether to invest in a licensed EC subsidiary or operate from without.

They are also well aware that a series of cross-border mergers between EC banks could create financial institutions that would dwarf the Nordic banks. Last year's move by Gota Group, Sweden's fourth-largest in banking and financial services, to form a link with Kansallis-Osake-Pankki of Finland may be the forerunner of other alliances.

In the immediate future, the decision by the Riksbank, the central bank, to open up Sweden's capital markets offers exciting opportunities. Swedish companies, already major borrowers abroad, may be tempted to take advantage of new rules permitting the issue of krona Eurobonds.

These have proved so popular with non-Swedish investors that some borrowers have

Continued on page 10



Jon Pierre Gullberg

1992 Prompts a Shift In Isolationist Stance Banking Liberalization Paves Way For Wider Transborder Capital Flow

By Nigel Ash

SWEDEN — Scandinavian bankers are relative newcomers to the banking liberalization and internationalization that has swept the developed world. Typically, their financial systems have long been locked up and compartmentalized, with foreign capital kept out and domestic wealth kept in.

Things might have continued this way had it not been for the realization that in the world outside, most particularly in the European Community, radical changes were taking place that, by 1992, could leave Scandinavian capital markets and their industries dangerously isolated.

Only Denmark is a member of the European Community. The Norwegians voted to stay out, a decision now deeply regretted by most in the banking and business communities. In Finland, there is talk of seeking EC associate member status, while Finnish companies, freed from overseas investment restrictions, have mounted a concerted acquisitions drive to buy into foreign markets.

In Sweden, the long tradition of political neutrality seems less relevant in a world in which the real battles are as much between companies as governments. It is becoming accepted in Stockholm that the kingdom will be hard pressed to sit on the fence in international politics, if its international companies like Electrolux, L.M. Ericsson and Volvo are to continue to prosper around the world.

THE PROBLEM for Scandinavian banks has been, and remains, their relatively small size. Quite simply, most of their blue chip clients have outgrown their local banking relationships and established successful links with the international banking community.

Such relations as still exist between international Scandinavian companies and their old home banks often extend no further than tick-and-dine domestic transactions and the inclusion of a local bank in the companies' international arrangements.

Regional banks are, therefore, left with small and medium-sized firms for their core

corporate business. Even here, life has not been easy, since with the liberalization of local financial markets and the revival of stock exchanges, companies are turning away from the long-standing reliance on bank money and looking for equity capital.

This is forcing the corporate banking departments of Scandinavian banks to learn a range of new tricks in a market where profits are already under pressure from specialist financial institutions, not least those established by foreign banks, such as Samuel Montagu in Oslo and Midland Montagu in Stockholm.

Not all foreign banks have prospered in Scandinavia, however. Some outside banks have withdrawn from local markets altogether, such as Paribas and BNP in Sweden. In other instances, they have merged their operations into local partnerships — Paribas with Oslo Bank in Norway — or reconstituted their activities, as Citibank in Finland did when it moved its foreign exchange office back to Copenhagen.

IT IS GENERALLY accepted among Scandinavian bankers that the only way to meet these challenges is with internal and regional consolidation among their banks. At the moment, this is easier said than done. Savings banks are strong throughout the region — including Iceland, which has 36 — and have been merging and taking each other over for the last 20 years. Norway had 600 savings banks in 1960 and has just 158 today, with further mergers being actively promoted by the country's Savings Bank Association. Behind the association's thinking is the stark fact that half of the top 10 banks in the country are savings banks, and almost 60 percent of the aggregate assets of all the savings banks are accounted for by the 10 largest savings banks.

Scandinavian savings banks now mostly operate under the same legislation as their commercial bank rivals. This has meant an undermining of the once powerful commercial bank units established by the savings bank movements to act as their clearers, particularly for foreign business, as the larger savings banks find they have the resources to go it alone.

The future for the small savings banks, for-

Continued on page 11

Dollar Helps Boost Export Price Advantage

By Brian Martin

LONDON — The economies of the Scandinavian region have long suffered from declining competitiveness as a result of soaring wage costs and low productivity compared with their major trading partners. However, the tide may finally be turning.

The dollar's overall strength in 1989, along with moderate wage deals in Denmark and Norway and restrictive economic policies in Finland, has helped boost the export price advantage in those countries. Sweden's failure to curb excessive wage growth will delay improvement in its competitive position.

Aside from Sweden, the slowdown in the rate of wage growth has raised hopes of sharpened competitiveness. In addition, the weakness of Scandinavian currencies against a buoyant dollar is having a positive impact on the domestic value of forestry products and oil, which are priced in the U.S. currency. However, with the exception of Norway, the improved ability to compete with other trading blocs has yet to show up in a sharp improvement on the balance of payments. Norway is helped by an improved oil account.

The latest report by the Federation of Dan-

ish Industries says wages are now rising at a rate of 4 percent annually, which is below the level of the country's main trading partners. In March, the Norwegian government extended tough legislation to keep wage increases under 4 percent during the year. Finland negotiated a labor market pact last autumn that limits wage

Aside from Sweden, the slowdown in the rate of wage growth has raised hopes of sharpened competitiveness.

ises to 2.5 percent this year unless inflation exceeds 4 percent. So only Sweden, which secured a two-year deal restricting some private sector wages to a 5.6 percent rise in 1989 but which faces average pay rises of 9 percent because of wage drift, still faces a serious deterioration in its competitive position.

This overall improvement has been bolstered by the positive impact on competitiveness of the dollar's strength, as reflected in the depreciation over the first eight months of this

year of the Danish krone (10.4 percent), Norwegian krona (8.3 percent), Swedish krona (7.9 percent) and Finnish markka (6.5 percent). The U.S. currency's presence in the trade-weighted baskets used by Norway, Sweden and Finland to set the value of their units has, however, led to gains against third currencies. Denmark, a member of the European Monetary System, is the exception.

The most important country — as opposed to currency — for trade in the Nordic region is West Germany, whose Deutsche mark has also weakened against the U.S. dollar this year. The importance of the German market for Scandinavian trade is reflected in the weight afforded the mark within each country's trade-weighted basket index — 17.7, 16.4 and 19.4 percent in Norway, Sweden and Finland respectively. Relative currency movements have left the Nordic currencies between 2 and 4 percent stronger against the mark since the start of 1989, offsetting some of the competitive gains versus the dollar.

THIS HAS NOT been the case in Denmark, where the government's efforts to hold interest rates down and avoid spilling an already weak economy has left the krone languishing at the bottom of the EMS since mid-January. The unit has also weakened slightly versus the

mark. The central bank spent 6 billion kronor (\$880 million) of foreign exchange reserves to support the currency in March when it dropped to its intervention rate of 3.9016 per mark. In April the bank raised its key current account interest rate half a point to 9 percent, to match a move by other countries, including West Germany.

The difficulties for the krone relate to its weakness against the Spanish peseta, which has

Continued on page 11



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Guess which bank is the best when it comes to Scandinavian currencies?

Every year Euromoney, which is one of the world's leading magazines in banking and finance, nominates a winner from its survey carried out among larger investors and top management within banking and financial circles. This year, victory goes to a Norwegian bank — Den norske Creditbank.

The same bank has recently held its official opening of Europe's most advanced foreign exchange dealing room.

In other words, it's by no means certain that the number one spot will go elsewhere over the next year or so...

DnC

Den norske Creditbank

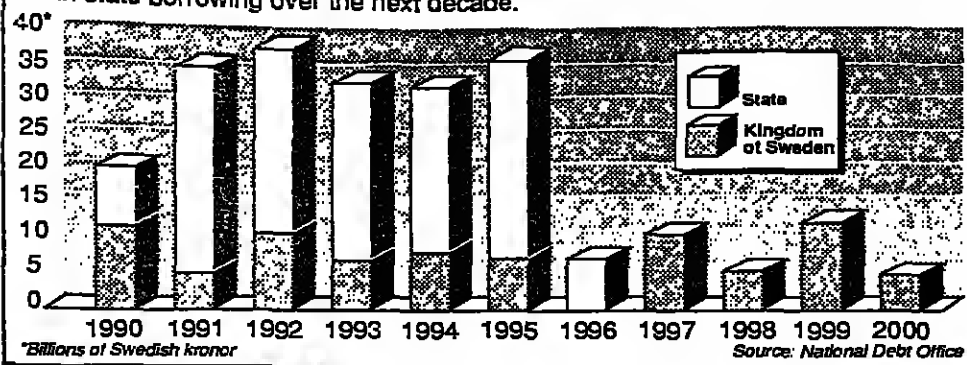
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Euromoney, May 1989: "Banks, investors and corporate treasurers were asked whom they considered to be best for the Scandinavian currencies. Results: 1. Den norske Creditbank 2. Skandinaviska Enskilda Banken 3. Scandinavian Bank 4. Copenhagen Handelsbank 5. Svenska Handelsbanken"

Nordic Finance / A Special Report

The Government Bond Market

The maturity profile of Swedish government bonds shows a marked decrease in state borrowing over the next decade.



Sweden Eases Capital Barriers

Continued from page 9

succeeded in raising funds more cheaply than the Swedish government. Krona Eurobonds offer a relatively high yield and are obtainable in denominations small enough to accommodate the retail investor.

Although the Kingdom of Sweden is now borrowing much less in international markets thanks to a balanced budget, Swedish borrowers still raised around 44 billion kronor overseas last year. Private and public entities are taking advantage of reduced government borrowing in the knowledge that the best Swedish names can obtain excellent rates from foreign lenders.

Despite the heady environment of liberalization, Sweden's financial community still suffers from over-easy and money market turnover, which drive these markets to

other financial centers. First introduced on equity turnover in 1984, the tax was extended in 1988 to cover the money, futures and options markets.

SOME blame the tax for the demise of the Swedish Options and Futures Exchange, which closed in February after only two years in operation. Although its rival, Stockholm's Options Marknad Fondkommission, continues in business, the tax severely reduced futures and options turnover.

Yet even before the introduction of the tax, these new products had caused problems in 1987 at two big banks: Gotabanken and Svenska Handelsbanken. Both suffered trading losses in futures and options, apparently due to inexperience and poor management supervision.

Optimists believe that the tax on equities and their derivative

products will be short-lived but the damage may already have been done. Leading Swedish equities and government bonds are already traded in large volumes in London. While share prices rose sharply in 1988, trading volume at the Stockholm Stock Exchange actually fell.

Now that the liberalization of Sweden's financial markets is all but complete, the banks face a new challenge on their own turf. A once-protected home market will be more vulnerable to foreign banks.

Competition can only intensify, both in the provision of credit and in capital markets activities. Sweden's private and institutional investors will be courted assiduously by the big U.S., European and Japanese securities houses.

NIGEL ADAM is a financial journalist based in London.

Oslo Trade Dispute Threatens U.S. Ties

By Joseph Fitchett

OSLO — While its main targets are Japan and other major economic rivals, the Bush administration's campaign to dismantle foreign trade barriers has caused alarm in small, traditionally comfortable U.S. trading partners such as Norway.

Since the Trade Bill of 1988, U.S. firms have become prompter to challenge possible violations of the trading code under the General Agreement on Tariffs and Trade, and Norway has found itself embroiled in a spate of wrangles ranging from electronics and missiles to shipbuilding, apples and whales.

Norwegian leaders, in interviews last week, were apprehensive about the potential impact of U.S. trade retaliation on fragile sectors of Norway's economy. Several said that they feared a public outcry strong enough to damage public support for Norway's ties to the United States and NATO.

"Our problems with the United States always used to involve security issues, but in the last few years we have solved all of those," a cabinet minister said. "Now we're

worried about a public reaction to these trade disputes that could harm our security cooperation."

His fear, diplomats said, is that the increasingly intrusive U.S. approach will revive the Scandinavian left's postwar anti-Americanism.

Norwegian officials cite domestic complications in many disputes, including:

• A widespread view in Norway that political pressure is being applied in Washington to block U.S. purchase of Norwegian-made Penguin air-to-sea missiles. The suspected motive, they said, is U.S. insistence that Norway reconsider a bid for electronic toll-collection equipment in Oslo following complaints by Amtech, a U.S. manufacturer based in Dallas.

• A threatened U.S. boycott of Norwegian fish exports unless Norway changes its whaling policy. Norway wants to pursue research aimed at combating a species of whale blamed in Norway for depleting the stock of commercial fish in Norwegian seas.

• Norwegian fruit growers' fears that their traditional varieties of apples will lose their local market as Norway has to open up to cheaper U.S. produce.

A U.S. complaint about Norwegian ship-

building subsidies was temporarily withdrawn to permit multilateral discussion. But U.S. officials want Norway to implement a GATT finding on fruit imports before Christmas. Consultations are due next month on the Amtech protest.

OFFICIALS emphasize that these disputes involve only a fraction of the \$3 billion annual total trade between Norway and the United States. But an official in the Special Trade Representative's office in Washington said, "I can see how a country like Norway, with tradition of trade scrapes with us, would suddenly feel rocked by challenges."

The quarrels have strong political overtones because of their impact on local political constituencies. Amtech's complaint about the electronic toll-booth contract, awarded to Kofri, a Norwegian-based subsidiary of Siemens, the West German electronics giant, coincided with delays in plans for the U.S. Navy to purchase Norway's new Penguin missile.

Norwegian trade officials were quick to suspect U.S. pressure, but U.S. officials dismiss any suggestion of linkage. A Norwe-

gian diplomat in Washington said, "We have only heard reports of political pressure. We have seen no proof of it."

A U.S. decision not to buy Penguin would deal a blow to efforts to get NATO allies such as Norway to cooperate with U.S. manufacturers in developing weapons.

"Penguin is the world's last air-to-sea missile," a U.S. naval official said. "And it's the major Norwegian item going our way on the two-way street down which we sell them everything from warplanes to radios."

The whaling dispute touches Norway's national commitment to keeping people from abandoning the country's bleak northern expanses, where fishing, along with military activity, is the main livelihood.

Norwegians depict their situation as a double bind. "If we don't deal with this breed of whale, known as the hake, there are no fish left for us to catch at all," an official said. "But if we try to curb the whale predators, we have fish to catch—but no U.S. market to sell the fish into."

JOSEPH FITCHETT is on the staff of the International Herald Tribune.

Finland: Turning an Uneasy Peace Into Easy Trade

By Nigel Ash

HELSINKI — Since the end of World War II, the Finns have turned an uneasy peace with their powerful Soviet neighbor into an easy way of trade. Ten years ago, a Finnish banker could boast in London that Finns knew their way around the labyrinthine power corridors of Moscow's centrally planned economy better than anyone. If the rest of the West wanted to make business

progress in Moscow, they would have to buy the know-how in Helsinki, the banker said.

The banker was probably overstating his country's advantage in this department, and since then, Mikhail Gorbachev's changes to the centrally planned economy and the reshuffling of countless bureaucrats have altered the world in which Finnish bankers and businessmen had become used to operating.

And Finnish industry, not content with supplying the large vol-

ume, low quality goods demanded by the Soviet Union, had been looking to higher value-added Western markets.

This spring, however, First National Bank of Chicago and the London-based but majority Soviet-owned Moscow Narodny Bank accepted the Finnish post office bank, Postpankki, as the third partner in a trioka to finance projects and joint ventures within the Soviet Union.

The AAA-rated Postpankki, now a joint stock company, had

already arranged some funding for Soviet projects but lacked the business connections outside of Scandinavia that First Chicago, with a long record of U.S.-Soviet trade finance, possessed. Moscow Narodny brought to the deal its own intimate Soviet contacts, not least with its major owners, the State Bank of the U.S.S.R. and the Soviet Foreign Trade Bank. Finland may yet assert itself as a banking base for business with the Soviet Union.

MEANWHILE, most of the Finnish banking community has been refocusing its gaze on Western horizons — over which the country's more successful international companies, such as Nokia, Enso-Gutzeit and Outokumpu, are fast disappearing as they outgrow their old local banking relationships. Overall, Finnish companies have a 10 percent share in some 2,500 foreign firms around the world.

By contrast, it is difficult for a foreigner to buy into Finland; even a popular former British ambassador had to obtain special permission to purchase a house by the Finnish lakes. Any Finnish company in which a foreigner obtains the maximum permitted 40 percent holding is known as a *vaarallinen*, or dangerous company.

The Finnish banking system remains compartmentalized. Legislation is in the pipeline to abolish the regulatory differences between savings and cooperative and commercial banks. It will also impose, on differing time scales, an obligation for all banking institutions to work toward the Bank of International Settlements (BIS) capital adequacy requirements set out in the Cooke Report.

Finnish banks look set for a substantial shakeout. There are

currently some 300 savingsbanks with 1,300 branches, 250 cooperative banks with 1,100 branches and 10 commercial banks — four of them foreign-owned — with 1,000 branches. The absurdities of overbanking extend to three branches of the same bank within walking distance in a small village, or two branches of the same organization gliding at each other across a small village square.

Some of these superfluous outlets are the result of past acquisitions, but Finnish banks have long been mesmerized by the illusion of ownership by their customers' confidence in them. They were to close even a single branch. For this reason, and the feared anger of a powerful banking union, they are prepared to run the retail side of something approaching a lot. Their profits, which were at record levels in 1988, come from securities, corporate and investment banking work.

THE BANK of Finland, however, takes the view that whatever the balance sheets may show, there are still about 1,200 branches too many. "Quite obviously there are too many banks," said one official, pointing out that almost as many people were employed in the Finnish as in the substantially larger Swedish banking community. "But perhaps of greater importance is the high level of costs banks feel themselves able to bear at the moment."

In the 1980s, successive regulatory changes have prompted far keener competition among the banks, especially in the interbank market for lending and deposit rates following the abolition of interest rate regulation. Meanwhile, the growth of the securities markets around the revitalized Helsinki Stock Exchange has presented the banks with further challenges for their depositors' funds.

CITY OF OSLO
(Kingdom of Norway)

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ISSUE PRICE: 100%

INTEREST: 11.15% p.a.

payable annually in arrears on September 4th fixed for the first three-year period. Interest adjustment and put/call first time on September 4th 1992.

Amortised annually NOK 12,500,000

September 4th 1990/2009.

LISTING: Oslo Stock Exchange.

A/B/C

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New Issue
July 1989

This announcement appears as a matter of record only

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September 1989

Svensk Fastighetskredit

Svensk Fastighetskredit Aktieföretag of the Skandinaviska Enskilda Banken group is a leading Swedish mortgage lending institution with a loan portfolio of 60 billion SEK primarily financed by bond borrowing. SFK's intention is that this loan will be a large size benchmark loan.

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The Bonds are sold at current market prices

Listing on
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Arrangers

Skandinaviska Enskilda Banken

PRIVATbanken

Market Makers
in SwedenMarket Maker
in Denmark

Skandinaviska Enskilda Banken

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SEK 400,000,000 - 11½ per cent. Notes due 1994

Issue Price: 101½ per cent.

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Banque Générale du Luxembourg S.A.
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Commerzbank Aktiengesellschaft
Den Danske Bank
Generale Bank
Gotabanken
Kreditbank S.A. Luxembourg
Privatbanken A/S

September 1989

The Norwegian law firms of Thommessen & Krefling, Heyerdahl & Brunsvig and Krefting, Locher & Co. are pleased to announce the merger of their two firms. The merger shall be effective as of January 1, 1990.

The merged partnership will operate under the name

Thommessen & Krefling

and will initially consist of 23 partners and a total legal staff of approximately 45 lawyers.

Thommessen & Krefling will as of January 1, 1990 operate from the following offices:

OSLO:

Tollbodgaten 27, 0157 Oslo 1, Norway
Tel.: (+472) 42 18 10. Fax: (+472) 42 35 57

HOVING:

Sandviksveien 36, P.O. Box 140, 1322 Hovik, Norway
Tel.: (+472) 12 47 11. Fax: (+472) 12 36 87

LONDON:

21/24 Cockspur Street, London SW 1Y 5BN, England
Tel.: (+441) 321 0330. Fax: (+441) 321 0845

BRUXELLES:

33, Boulevard de la Cambre, Bte 12,
Bruxelles, Belgium
Tel.: (+322) 646 37 68. Fax: (+322) 640 5405

We are also pleased to announce that Thommessen & Krefling have as of the same date formed a cooperation with the Norwegian law firm of

ADVOKATFIRMAET

Greve, Greve, Greve & Lorentzen

Torgalmennings 5, 5014 Bergen

Tel.: (+475) 31 13 50. Fax: (+475) 31 74 75

Nordic Finance / A Special Report

Investing Climate Buoy Industry

By Michael Metcalfe

OSLO — Over the past two years, Nordic governments of various political persuasions have made considerable progress in improving the investment climate of the region — and industry is all the better off for it.

In Norway, the minority Labor government of Prime Minister Gro Harlem Brundtland, which suffered a stinging setback in general elections on Sept. 11 but which is likely to remain in power for the time being, has proved very responsive to industry's needs for fresh capital.

With domestic credit growing less rapidly than in previous years, the government has shifted the emphasis of its credit policy from curbing excess liquidity toward ensuring that sufficient credit is available to industry at reasonable rates of interest.

The administration wants more long-term risk capital to promote industrial adjustment and long-term development — especially in the non-oil sector. The government has introduced a number of measures designed to ease the problem of inadequate long-term risk capital.

BUT MORE significant moves, allowing Norwegian companies greater access to cheaper foreign funds — either through increased inward investment or fewer restrictions on a company's ability to raise loans overseas — will be necessary in the longer term, say senior Norwegian corporate executives.

With improved corporate earnings from foreign-based operations in recent years, foreign exchange controls have gradually been relaxed, however, and a government-appointed committee earlier this year came out in favor of a virtual elimination of all controls to bring Norway more into line with the European Community's planned single internal market in 1992.

In a number of companies, nonresidents have already acquired the maximum number of shareholdings permissible according to the statutes of these companies. Among these are Storebrand/Norden, Kvaerner, Norgas, Nebb and Elektrisk Bureau.

A number of companies and banks have thus applied for, and have been granted, permission to increase the percentage of shares held by nonresidents over and above upward revised limits passed with effect from Jan. 1 this year.

The Labor government's 1989 budget included moves abolishing the requirement for a central bank license authorizing foreign currency loans by resident Norwegian companies. This rule also applied to guarantees made by foreign parents for Norwegian subsidiaries. The moves took place in two steps, the first taking effect last December.

The second move was at the end of February, when regulations relating to foreign currency loans still subject to licensing were amended. Companies now have wider access to long-term foreign currency borrowing for domestic fixed capital investment, with the range of funding sources extended to include credit and financing companies apart from banks. The loan must be used for fixed capital investment or a minimum 10 percent equity stake in another domestic company.

Because the access to capital in Norway is currently too limited to cover the needs of the major companies, they tend to look abroad to raise fresh capital. This factor may oblige the government to seek a further easing of exchange controls, permitting nonresidents a higher stake in quoted Norwegian companies, although the maximum permitted would not stretch beyond 49 percent, allowing control of a company to remain in Norwegian hands.

In Denmark, the minority center-right coalition of Conservative Prime Minister Poul Schlüter continues to view as one of its highest priorities on the threshold of the 1990s the creation of an improved climate for business. Although the government will not alter its current open-door policy on foreign investment in Denmark during the present legislative period, the unabated flow of acquisitions ahead of 1992 is giving cause for concern among the opposition parties.

In the period 1979-87, five countries have stood for 80 percent of foreign business investment in Denmark. Sweden heads the list (with 34 percent of all investments), followed by the U.S., Britain, Norway and West Germany.

MICHAEL METCALFE, based in Copenhagen, is a correspondent for Business International.



Gro Harlem Brundtland



Poul Schlüter

Dollar Helps Lift Exports

Continued from page 9

traded near the top of the EMS since joining the system in June. Under EMS rules, central banks have to intervene if two currencies reach their maximum divergence limit, which, in the case of the krona/peseta rate, is 6.231 per 100 pesetas. The krona approached that level in early August and has lately returned there. But economists say Denmark's central bank is unlikely to take any drastic action because the problem has more to do with the strength of the peseta than the weakness of the krona.

While the Danish krona has remained weak against European currencies as the government attempts to hold interest rates down, the other Scandinavian currencies have been prepared to keep borrowing costs high and this has helped hold their currencies firm. Norway cut its key overnight lending rate for the fourth time this year in June, but its benchmark rate still remained in double figures at 10 percent. Sweden raised its discount rate to 9.5 percent last April. Finland's three-month interbank rate moved up toward 12 percent following an effective 4 percent revaluation of the markka in March.

THE INTEREST rate attraction of the Swedish krona, which is allowed to trade between an upper limit of 130 and a lower level of 134 on the trade-weighted index, has been enhanced by the sweeping deregulation that took place on July 1 with the abolition of all exchange controls. The move enabled foreigners to invest in Swedish bonds and krona-denominated money market instruments and to place interest-bearing deposits with Swedish banks.

There was a net currency inflow of 14.2 billion kronor (\$2.15 billion) in January to July this year, compared to 11.6 billion kronor in the first seven months of 1988. However, this flow of funds into the Swedish currency has not deterred the central bank from sticking to its monetary course.

Meanwhile, the Norwegian currency — buoyed by capital attracted to a surging stock market — has been strong enough to enable the government to ease monetary policy. Finland's revaluation last March resulted in the markka's value being allowed to fluctuate between 96.5 and 102.5 against 14 other currencies. Prior to the upgrading, the range was 100.5 to 106.8. The move, taken to allow interest rates to rise, was seen as the only fast and effective way to cool down the overheated Finnish economy.

BRIAN MARTIN is the editor of *EuroMoney's Treasury Report*.

Demand for Securities Data Unites Stock Exchanges

COPENHAGEN — Investor demand for swifter and more sophisticated securities information systems is breaking down the barriers separating the individual Nordic stock exchanges and transforming them into a common trading platform — electronically if not physically.

"Although we would like to see a greater flow of information between the Nordic stock markets, we do not believe in the necessity of a common marketplace," says Leif Vinderaag, head of research at the Stockholm Stock Exchange, the largest of the four Nordic exchanges. His view is shared by colleagues in Copenhagen, Helsinki and Oslo.

In fact, all four bourses have fared extremely well so far this year, with share prices and trading volume soaring in the first six months of 1989, outstripping pre-October 1987 crash peaks despite an array of local tax disincentives.

Earlier this summer, the Stockholm Stock Exchange linked up with the other Nordic bourses to distribute Nordic stock prices via satellite throughout Europe. The Stockholm bourse last June also began to replace its call-over and after-market trading with an automated trading system that will become fully operational during 1990.

The Stockholm Automated Exchange, or SAX, as the new system is known, is initially being used to trade equities but will be extended to embrace trading in bonds, convertibles and other financial instruments.

"SAX will strengthen the competitiveness of the Swedish capital market and allow for considerable rationalizations, lower transaction costs and improved liquidity," says Bengt Ry-

den, president of the Stockholm Stock Exchange.

The real-time satellite-based information system for Nordic stocks enables more than 2,000 subscribers to tap into Stockholm and the other exchanges' prices via leased dish antennas and television monitors, though trades are still telephoned to brokers operating on the respective markets.

By creating a common market, rather than a common exchange, the electronic networks offer all the benefits of swift transmission of information, as well as allowing national submarkets — such as financial futures, options and other instruments — to flourish.

In order to keep pace with the rapid demolition of traditional barriers in international capital markets, the Copenhagen Bourse has also overhauled its securities trading system, gradually replacing its old paper-based auction system with on-line electronic trading in a selected series of stock and bonds, since expanded in stages.

THE BOURSES' 300-odd publicly quoted corporate entities and unit trusts have had their physical share certificates converted from paper into a computerized securities registration system at the Danish Securities Center (VPC).

"The wish to get most of the turnover in bonds and stocks back to the stock exchange, together with the need for an efficient and up-to-date trading system, led to the decision to establish an electronic trading system," explained Christen Sørensen, president of the stock exchange.

Among the features of the new trading sys-

tem are an ability to trade through intelligent terminals, based on personal computers linked to the system, and a match mode that conducts trade automatically at equilibrium price and quantity.

The Copenhagen bourse is not a newcomer to electronic conversion. As of 1983, Denmark took a unique step by becoming the first country to discard physical bonds altogether, converting its paper-based bond registrations into an electronic system at the VPC.

Quoted bonds are issued by computer registration with the VPC, which then records subsequent turnover. This means that physical bonds are no longer issued — the bonds only exist as records in the VPC's data-based system.

"In countries now considering a reform of settlements and clearing systems, due attention is being paid to the Danish solution," Mr. Sørensen said. Norway adopted the Danish model in 1986, with the VPC supplying know-how and systems modules to an equivalent Norwegian securities center in turn laying the groundwork for increased cooperation among the Nordic exchanges.

But hindrances remain. Despite Sweden's abolition of foreign exchange controls earlier this year, a number of punitive tax restrictions remain in force. The Social Democratic government introduced a number of new securities-related taxes, which went into effect at the start of this year. These included:

- A 1 percent tax for stockbrokers trading shares on their own account (0.5 percent on buying, 0.5 percent on selling) provided the

transaction is not completed within three days. Apart from brokers dealing on their own account, a 2 percent turnover tax has applied on other stock market transactions.

- A maximum 0.03 percent levy on money market instruments, bonds and premium bonds.
- A 0.3 percent tax on the premium for index options and futures.
- A 2 percent levy on the premium for interest rate options (1 percent on buying and 1 percent on selling).
- A 4 percent tax on the premium for share options.

IN SEPTEMBER 1988, a government panel recommended that companies in which one shareholder holds more than half of the voting rights should be banned from being listed on the stock exchange. Although the proposal was meant to avoid repetitions of scandals involving single-owner dominated companies, critics argue that this discriminates against family businesses seeking new capital.

In Norway, much of the accelerating increase in prices and trading volume over recent years can be ascribed to government measures to liberalize the domestic credit market — with the resulting sharp increase in the level of foreign interest. This has been helped by the introduction in May 1988 of an electronic trading system. The system, which replaced the 150-year-old auction procedure and manual quotation, has greatly enhanced performance, boosted turnover, improved liquidity and lent greater transparency to deals.

Michael Metcalfe

Isolation Is Fading

Continued from page 9

merly the backbone of small towns, dominating retail business, seems bleak in the face of competitively priced nationwide retail and corporate products. In addition, their role as providers of housing finance is often undermined by more competitive specialist mortgage institutions, which have small overheads and the strength of taking only collateralized risk.

The October 1987 stock market crash left many savings banks with failed borrowers and embarrassing trading losses. Only Finland and Iceland, which still had tight foreign investment rules, escaped lightly. In Norway, four savings banks that failed were merged with stronger or simply more fortunate local savings institutions after recapitalization by the Savings Banks' Guarantee Fund and soft loans from the central bank.

Norway's big three commercial banks — Christiania, Bergen and Den norske Credit — have all grown through the absorption of regional banks, but none was interested in central bank attempts to set up a takeover of Summo-banken.

Norwegian banks are now enjoying, with central bank approval, relatively high margins as they rebuild their strength. They are also benefiting from the strong performance of the Oslo stock market in the wake of this year's deregulation, which has permitted the relatively enthusiastic entry of foreign investors.

WHILE the region's savings banks grapple to build size and clout locally, no one in the sector seems yet to have thought seriously about cross-border links. It is a different matter for the commercial banks, not least because of their joint stock structures.

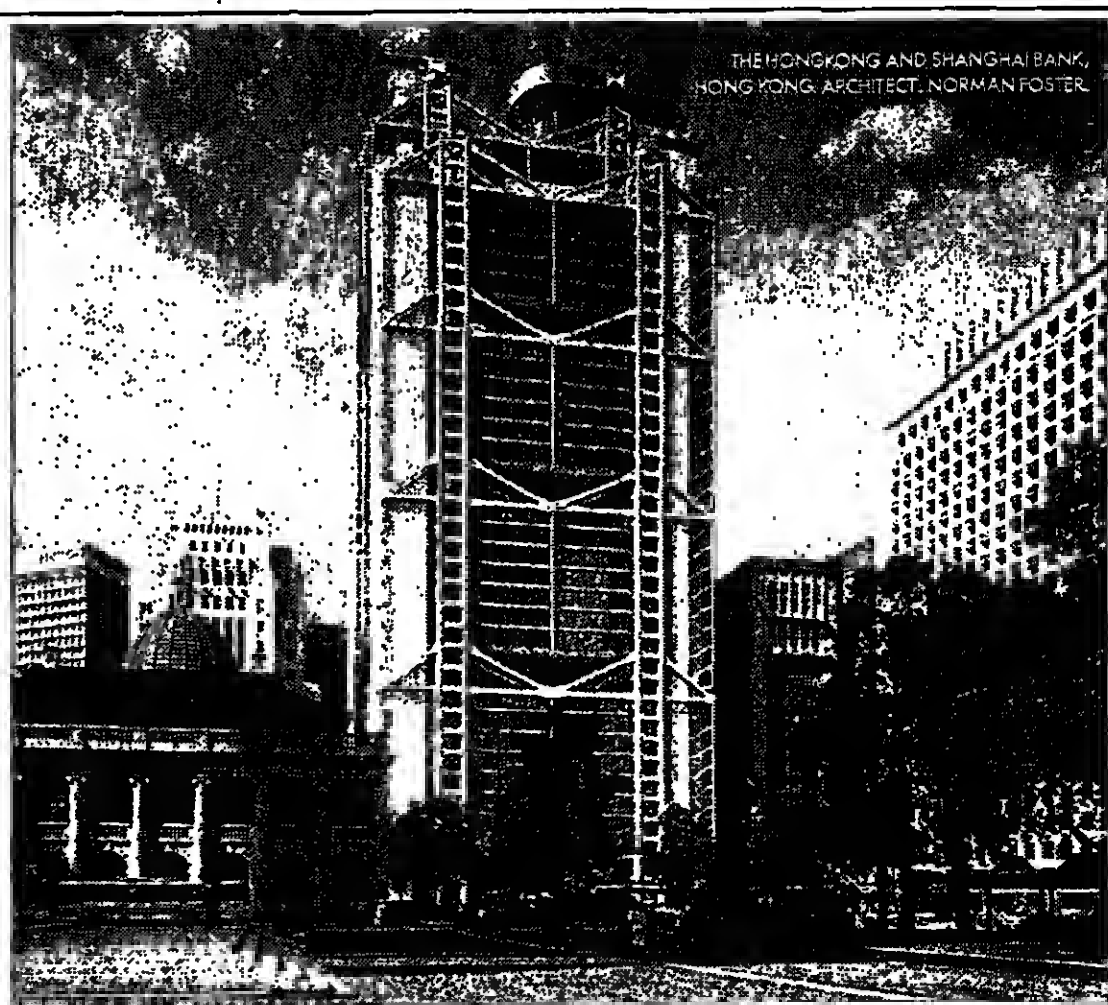
The foremost example of a regional banking group is the London-based Scandinavian Bank, whose major shareholders are Bergen Bank, Norway (20 percent), the Union Bank of Finland (20 percent), Skandinaviska Enskilda Banken, Sweden (14 percent), PRIVA (bank of Denmark (8.1 percent) and Landsbanki Islands, Iceland (2.5 percent).

Another example of a cross-border link is that between Sweden's No. 4 commercial bank, Gotabanken, the small Stockholm-based regional bank, Wermlandsbanken, and Kansallis-Osake-Pankki (KOP), one of the top two private Finnish commercial banks.

Other links are reportedly under discussion, including one that would include a Danish bank. The Danes occupy an important position in the thinking of other Scandinavian bankers because they alone in the region are members of the European Community and are seen to have had experience at "working" the EC system.

NIGEL ASH is a senior contributing editor to *EuroMoney*.

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INTERNATIONAL MANAGER

A Vision of the 1990s:
Workers Can Be Choosers

By SHERRY BUCHANAN

International Herald Tribune

NEW YORK — After the excesses of the 1980s in the U.S. workplace, a decade of corporate aggressiveness, management authoritarianism and dwindling loyalty among employees, some analysts feel that the power of the '90s will be found more among the workers themselves: the ability to leave a company if the job doesn't prove satisfactory.

"In the '80s, companies did not have to be civilized and had a very aggressive behavior from the top down," said Frank Doyle, senior vice president of corporate relations staff at General Electric Co. "Now people are starting to vote with their feet: If they don't like the situation, they leave."

Many workers no longer buy the idea that the system works for them.

In the early 1980s, GE carried out a tough program of cost-cutting, plant closings and management changes, in which the chairman, John F. Welch Jr., earned the nickname "Neutron Jack." Now, a recent survey at GE shows an "alarming increase in the number of employees choosing to go elsewhere." And the higher turnover among women is not due to family reasons, as the survey had anticipated, but to the lack of quality of work.

A decade of leveraged buyouts, restructurings and hostile takeovers has all but abolished job security and, with it, corporate loyalty. A management by fear has created a significant minority among middle managers and workers who, maybe for the first time in U.S. history — certainly during an economic boom — no longer buy the idea that the system works for them.

"When the great mythology whereby you can make it turns out not to be true, then disillusionment sets in," said Donald Kanter, professor of marketing at Boston University and co-author, with Philip Mirvis, of "The Cynical Americans: Living and Working in an Age of Discontent and Disillusion," a new book that stands out in the United States from the scores of get-rich-quick manuals.

This "Europeanization" of part of the American work force, the authors argue, will likely lead to a decrease in productivity and world competitiveness unless American companies become more democratic and responsive to people's rising expectations.

The authors based their book on the finding that cynics make up 43 percent of employees surveyed; the wary, 16 percent, and the upbeat, only 41 percent. Blue-collar workers are more cynical than white-collar workers, and Americans between the ages of 18 and 24 are more cynical than the baby boomers. The study showed that cynics don't trust their bosses or their colleagues, don't believe in what the company says and don't think that rewards or promotions are given out fairly.

"The old days are over," said D. Wayne Calloway, chairman of PepsiCo. "People question more today, they don't just accept what the boss says." In July, Mr. Calloway introduced a stock-option plan for 100,000 employees.

"We are going through a massive cultural change," said Dwain Williamson, supply and operations support manager at Ferrellgas of Liberty, Missouri, a retail marketer of propane with 3,000 employees. Ferrellgas is in the process of introducing a share option for all employees and has given autonomy to its 500 sales units.

John S. Reed, chairman of Citicorp, circulated a videotape telling managers that the company would penalize those who treated people badly.

Other pressures for change in management attitudes will come from demographic changes and from workers gaining technological skills they can take with them. The U.S. labor force will grow only by an annual 1 percent for the next decade, down from 2.7 percent in the '70s, according to the Labor Department. Mobility, however, will be limited to those with a high level of skills; others will join the ranks of the permanently disenfranchised.

Currency Rates

Cross Rates	Sept. 27
Amsterdam	1.1185
Bombay	1.1185
Brussels	1.1185
Frankfurt	1.1185
London	1.1185
Moscow	1.1185
New York	1.1185
Paris	1.1185
Stockholm	1.1185
Switzerland	1.1185
West Germany	1.1185
Yokohama	1.1185

Changin in London and Zurich, figures in other centers. New York closing rates. © Copyright 1989 by The New York Times Company. All rights reserved.

Other Dollar Values	Sept. 27
Australia	1.1185
Canada	1.1185
France	1.1185
Italy	1.1185
Japan	1.1185
South Africa	1.1185
Sweden	1.1185
Switzerland	1.1185
West Germany	1.1185
Yokohama	1.1185

New York rates unless marked as local rates.

Forward Rates	Sept. 27
1 month	1.1185
3 months	1.1185
6 months	1.1185
1 year	1.1185

Source: Reuters (London), Reuters (New York), Reuters (Tokyo), Reuters (Zurich).

Interest Rates

Eurocurrency Deposits	Sept. 27
1 month	1.1185
3 months	1.1185
6 months	1.1185
1 year	1.1185

Source: Reuters (London), Reuters (New York), Reuters (Tokyo), Reuters (Zurich).

Key Money Rates	Sept. 27
1 month	1.1185
3 months	1.1185
6 months	1.1185
1 year	1.1185

Source: Reuters (London), Reuters (New York), Reuters (Tokyo), Reuters (Zurich).

Asian Dollar Deposits	Sept. 27
1 month	1.1185
3 months	1.1185
6 months	1.1185
1 year	1.1185

Source: Reuters (London), Reuters (New York), Reuters (Tokyo), Reuters (Zurich).

U.S. Money Market Funds	Sept. 27
1 month	1.1185
3 months	1.1185
6 months	1.1185
1 year	1.1185

Source: Reuters (London), Reuters (New York), Reuters (Tokyo), Reuters (Zurich).

Gold	Sept. 27
1 ounce	1.1185
100 ounces	1.1185

Source: Reuters (London), Reuters (New York), Reuters (Tokyo), Reuters (Zurich).

France Breaks Silence on Peugeot Strike

By Jacques Neher

Special to the Herald Tribune

PARIS — Jacques Calvet, the chairman of Peugeot SA, faces increasing hostility from the French public over an autoworkers' strike and the possible destruction of his dream of making Peugeot a major contender for leadership in the highly competitive European auto industry.

Mr. Calvet stubbornly has refused to discuss pay increases with about 1,000 striking workers at Peugeot auto plants in Mulhouse and Sochaux, in eastern France. The labor action, now in its fourth week, has cut deeply into the auto-maker's production and threatens to tarnish the launch of his first executive-class car, the 605, on which Peugeot is pinning its hopes.

The conflict has been a battle of will between Mr. Calvet and the unions, which have been seeking immediate, across-the-board raises of up to 1,500 francs (\$230) a month for all Peugeot employees.

But the situation has become so serious that the government broke its silence on Wednesday. The French industry minister, Roger Fauroux, demanded that the battling parties "absolutely must meet" and directed a broadside attack on Mr. Calvet's management of the conflict.

"This conflict, which is dragging on, is not in the interests of the French economy," Mr. Fauroux said. "There is always something to say or to propose, and even after the toughest conflicts, one has to reach an honorable peace agreement."



Peugeot autoworkers with copies of a newspaper showing Jacques Calvet's tax returns.

France's "manager of the year" in 1985, Mr. Calvet has become one of the country's most controversial figures. Businessmen are taking votes on him, the French press is scrutinizing his paycheck and unions are calling for his resignation.

Mr. Calvet, however, is not known to cover before the government. He often has led the call against state intervention in the private sector.

Last year, he threatened to resign if the government proceeded with a plan to wipe out the debt of the rival French automaker Renault, which is state-owned. A modification of that plan is still pending.

He also has fought hard — and vocally — against Japanese car imports in Europe and against what he considered overly strict auto

labor strife in the public sector. Tax collectors have been striking for several months and on Wednesday prison guards began their third in a series of labor actions aimed at gaining salary increases.

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See PEUGEOT, Page 16

Dollar Falls Again on Central Bank Intervention

Compiled by Our Staff From Dispatches

NEW YORK — The dollar ended lower for the third straight session Wednesday after another day of vigorous selling by central banks.

Eleven central banks joined in the assault on the dollar in U.S. trading, but the currency bounced up from the day's lows, which some dealers viewed as a sign of resiliency. Still, the dollar is 4 percent lower than it was at the end of last week and is trading at the levels of two months ago.

The dollar closed in New York at 1.8800 Deutsche marks, down from 1.8945 DM Tuesday. Against the

yen, the dollar fell to 140.195 from 142.40.

The dollar rose slightly against the British pound, however, with each pound fetching \$1.6165, compared with \$1.6175 on Tuesday.

The dollar was quoted at 1.6295 Swiss francs, down from 1.6435,

and 6.3625 French francs, down from 6.4170.

Central banks have been backing up the resolution made on the weekend by the Group of Seven largest industrialized nations to restrain the dollar because its strength, bankers said, did not make for a healthy world economy.

"People are nervous. The dollar has been fairly well in the face of large intervention," said Dan Brooks, chief dealer at Westpac Banking Corp. "We'll try to get above 1.90 DM, and if we do the dollar will stay bid."

In addition to the 11 central banks that intervened during U.S.

trading, the Bank of Japan had sold dollars in Tokyo. The Federal Reserve Board and the Bank of Canada also intervened in Tokyo.

Dealers said the Fed sold Australian dollars during the U.S. afternoon, helping push the Australian currency toward the day's lows.

The Australian dollar is "going the way it should go," Mr. Brooks said. "If it was going to go higher, it should have broken 80 cents on the dollar move lower." Instead, the Australian currency was "offered throughout the tremendous dollar drop," Mr. Brooks said.

The Australian dollar was trading at 78.24 cents late in the U.S. session.

The decline in the U.S. dollar in New York continued a trend begun in London, where it fell after European bankers intervened during European trading.

The dollar closed in London at 1.8815 DM and 140.45 yen, down from 1.8885 and 142.00 on Tuesday. During the course of Europe's business day, it had traded as low as 1.87 DM and 139.77 yen.

The dollar was up against the British pound, however, with each pound costing \$1.6130 at the close Wednesday, compared to \$1.6210.

(AP, Reuters, UPI)

Toys 'R' Us Expands to Japan

NEW YORK — Toys "R" Us, the biggest U.S. chain of specialty toy stores, has announced that within two years it will be selling in Japan, one of the most difficult markets for American companies to enter.

The retailer signed an agreement with McDonald's Co. (Japan) Ltd., which is a joint venture of the U.S. fast-food company and Fajita & Co., a Japanese trading company credited with much of McDonald's success in Japan.

Under the agreement, announced Tuesday, Toys "R" Us will own 80 percent of Toys "R" Us-Japan, with the rest held by McDonald's of Japan.

Charles P. Lazarus, the chairman of the toy chain, said he expected to open the first four or five stores in the suburbs of Tokyo by late 1991.

The agreement continues the toy chain's recent expansion of its high-volume, supermarket-like concept into foreign markets. In the past few years, the company, which has nearly 400 stores in the United States, has opened stores around the world, including in Britain, France, Hong Kong, Kuwait and Kuala Lumpur. By the end of the year, the company expects to have 74 foreign stores.

"The recent experience over the past few years has told us we can open the first four or five stores in the world they have grocery supermarkets," Mr. Lazarus said.

Officials of the chain, which is based in New Jersey, said the stores in Japan could provide U.S. toy manufacturers with a solution to a distribution system in Japan often cited as a barrier to trade.

"For American manufacturers, this is a way to get around the distribution system because we are the

U.S. Retailing Chain Toys 'R' Us To Open Stores in Japan by 1991

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"For American manufacturers, this is a way to get around the distribution system because we are the

ultimate point of distribution," said Joseph Baczo, president of the international division of Toys "R" Us.

But some toy makers were cautious, noting that cultural differences might make toys that are popular in the United States difficult to sell in Japan.

Alan Hassenfeld, chairman of Hasbro Inc., the biggest toy producer in the United States, said it might take some time before the chain started increasing orders intended for stores in Japan.

The idea is sensational: in time it will be wonderful, not only for Toys "R" Us but for all toy manufacturers," he said.

An industry report estimated the Japanese retail toy market at \$3.2 billion in 1987. Hirokazu Ishii, an analyst at the Nomura Research Institute in New York, said that until recently there were no toy chains in Japan.

"The potential is very huge," Mr. Ishii said. But he added that the so-called *dai teno* rule, which regulates large stores, may be an obstacle.

The rule requires retailers planning stores larger than 500 square meters (6,000 square feet) to get the approval of small retailers in the area. Mr. Ishii said that the rule had delayed some store openings for up to 10 years.

(NYT, LAT, WP)

OPEC Session Ends Without Quota Accord

By Youssef M. Ibrahim

New York Times Service

GENEVA — The Organization of Petroleum Exporting Countries came near to disbanding its system of quotas on Wednesday, when OPEC ended a meeting here without agreement on how much oil each member is to produce next quarter.

After a difficult and confused five-day session, OPEC said it would raise the overall production ceiling for its 13 members to 20.5 million barrels a day from the current ceiling of 19.5 million barrels.

With OPEC pumping nearly 22.5 million barrels a day and world demand rising steadily, Wednesday's decision is meaningless. The high demand has prevented oil prices from collapsing in the face of OPEC's widespread lack of production discipline.

The cartel's already shaky credibility in world markets was undermined by its failure at the meeting to parcel out the new ceiling among its members. The meeting adjourned without specifying how much each member is to produce.

Kuwait and the United Arab Emirates contended, as they previously have, that they are not bound by quotas. Libya and Algeria also

said that they did not agree to a ceiling increase.

The strongest sentiment among the delegates, however, was that it was a "tempest in a tea pot," in the words of a senior Arab delegate who asked not to be identified. He said that no member was seeking to provoke a price collapse by producing without limits and that reconciliation remained OPEC's goal, as it has been for the past year.

This view was echoed widely.

"Kuwait has no legal or moral obligation to produce oil at any particular level, but we hope that the spirit of cooperation strongly

See OPEC, Page 17

CITICORP
U.S. \$150,000,000
Retractable Notes Due October 30, 1996
Notice is hereby given that pursuant to the Terms and Conditions of the Notes, the new rate of interest for the period October 30, 1989 to October 30, 1994 will be fixed by the Company on October 24, 1989 at a rate equal to the then current five year U.S. Treasury note plus 0.80% per annum.

September 28, 1989, London
By: Citibank N.A. (CST) Dept., Agent Bank
CITIBANK

TR EUROPEAN HARMONY FUND MANAGEMENT (LUXEMBOURG) S.A.
2, boulevard Royal, Luxembourg
L-1255 Luxembourg
DIVIDEND ANNOUNCEMENT

The TR European Harmony Fund will pay a dividend of U.S. \$0.50 (50 cents) on September 28, 1989 to shareholders on record on August 31, 1989. Shares are traded ex-dividend as from September 1, 1989.

By order of the Board of Directors of the Management Company

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Source: Reuters.

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Profit Up 14% In First Half at Scottish Bank

"These two companies have similar character and values," Mr. Brown said, "and it is a merger of equals."

Depressed mortgage lending rates are keeping this portion of its business barely profitable, the bank said. However, other pound lending grew by 36 percent and profit margins have been largely maintained, it said.

Mr. Calvet, a graduate of the *École Nationale d'Administration*, started his career as a civil servant, rising to become chief of former president Valéry Giscard d'Estaing's cabinet when he was finance minister in the early 1970s.

Mr. Jorgens remarked, "There is no question that if they do own the Columbia Pictures there will be a lot of pictures coming out that are stingy on the subject of the sex life of the emperors of Japan. There is no question that they would object to the highly juicy portrayal of the sexual behavior of their recent leaders."

The New York Times

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